

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 6th March, 2014
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 Declarations of Interest

To receive declarations by Members and/or co-optees of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the revised Code of Conduct, they are required to declare any disclosable pecuniary interests or other registrable interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Members may however, also decide, in the interests of clarity and transparency, to declare at this point in the meeting, any such disclosable pecuniary interests which they have already declared in the Register, as well as any other registrable or other interests.

- 5 To confirm the Minutes of the meeting held on 12th December, 2013 (copy attached) (Pages 1-11).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Risk Management (Page 12).
- (D) 8. Code of Corporate Governance (Page 13).

- (D) 9. Monitoring Priority 1 Recommendations (Pages 14-17).
- (D) 10. Internal Audit Final Reports (Pages 18-19).
- (D) 11. Internal Audit Progress Report (Page 20).
- (D) 12. Internal Audit Annual Plan 2014-2015 (Page 21).
- (D) 13. External Audit Certification Report 2012-2013 Update (Page 22).
- (D) 14. External Audit Benchmarking Financial Resilience (Page 23).
- (D) 15. External Audit Committee Update (Pages 24).
- (D) 16. External Audit Plan for the Year Ended 31st March, 2014 (Page 25).
- (D) 17. Financial Regulations and Contract Standing Orders (Pages 26-27).
- (D) 18. Anti-Fraud Policies (Page 28).
- (D) 19. Accounting Policies 2013-2014 (Pages 29-31).
- (D) 20. Going Concern (Pages 32-34).
- (D) 21. 2013-2014 Accounts Update (Pages 35-38).
- (D) 22. Audit Committee Work Plan (Page 39).

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

Membership of Committee

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

For queries regarding this agenda, please contact:

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AUDIT COMMITTEE

Meeting Thursday 12th December, 2013
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman), Pointer (Vice Chairman), Cassidy and Murray.

Also present were Jackie Bellard and Neil Krajewski from Grant Thornton and Keith Jackson from Internal Audit.

29 – Minutes

The Minutes of the meeting held on 26th September, 2013 were taken as read and confirmed.

30 – Apologies for Absence/Attendance of Substitute Members

An apology for absence had been received from Councillor Doughty.

Councillor Cassidy had attended as a substitute for Councillor Doughty for this meeting only.

31 – Annual Audit Letter for the Year ended 31st March, 2013

The External Auditors presented the Annual Audit Letter for the Year ended 31st March, 2013.

A copy of the Annual Audit Letter had been appended to the report. The letter summarised the key findings which had arisen from the following work that External Audit had carried out at the Council for the year ended 31st March, 2013:-

- Auditing the 2012/13 accounts and Whole of Government Accounts submission;
- Assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- Certification of grant claims and returns.

The Audit conclusions were as follows:-

- An unqualified opinion on the accounts which gave a true and fair view of the Council's financial position as at 31st March 2013 and its income and expenditure for the year;
- An unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- An unqualified opinion on the Council's Whole of Governance Accounts submission.

The External Auditors reported that they had certified two grant claims and returns to date, one without amendment and one subject to some amendments. Details of the overall findings of the testing of the Housing and Council Tax Benefits grant claim had been included in the separate Agenda item 'Annual Certification Report 2012-2013' (Minute No. 32 refers).

Key areas for Council attention

Audit summarised the key messages arising from their audit for the Council to consider as well as highlighting key issues facing the Council in the future.

They issued an unqualified Value for Money (VfM) conclusion but identified areas for improvement around:-

- **Workforce planning** – in recognising that sickness absence levels were higher than the Local Government average and increased in 2012/13; management had been working closely with the Council's occupational health provider to reduce the level of long and short term sickness;
- **Cost of Housing and Council Tax Benefits administration and Revenues services** – which exceeded that of most English District Council's; accordingly any reductions in the cost of administering the service (£1.675M in 2011/12) would assist the Authority in delivering the savings required to address its projected deficit;
- **Responsiveness of the medium term financial strategy** – whilst recognising the work in identifying a series of schemes to generate additional income, increase efficiency and reducing expenditure, the Council needed to update its plan to reflect the receipt of the efficiency grant it had been allocated; and
- **Budget setting and monitoring** – management had recognised there was scope to strengthen internal budget monitoring arrangements, breaking down overall budget performance and budget variance by individual departments, facilitating Officer and Member challenge leading to securing the action necessary to improve performance.

RESOLVED:- To receive the External Auditor's report.

32 – Certification Report 2012-2013

The External Auditors presented the Certification Report for 2012-2013. They explained that they were required to certify certain claims and returns submitted by the Council. The certification typically took place six to nine months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

They had certified three claims and returns for the financial year 2012-2013 relating to a total value of £50.6 million. The Certification Report had been appended to the report. It summarised External Audit's overall assessment of the Council's management arrangements in respect of the certification process and drew attention to significant matters in relation to individual claims. It was noted that arrangements for certification were prescribed by the Audit Commission

which agreed the scope of the work with each relevant government department or agency, and issued Auditors with a Certification Instruction (CI) for each specific claim or return.

Full details of all claims and returns subject to certification had been provided in an appendix to the Certification Report. The key messages from the certification work were summarised as follows:-

| Aspect of certification arrangements | Key Messages | RAG rating |
|--|--|------------|
| Submission and certification | All claims were submitted and certified in accordance with government departmental deadlines. | Green |
| Accuracy of claim forms submitted to the auditor (including amendments and qualifications) | Errors identified from initial sample testing of Housing and Council Tax Benefits cases resulted in a requirement for Audit to undertake additional testing on 331 further cases which revealed further errors. All errors identified had been reported to the Department for Work and Pensions (DWP) in the Auditor's qualification letter. | Red |
| Supporting working papers | Errors identified from Audit of the housing capital receipts return had been symptomatic of over complicating preparation of the return and failure to correctly extract information that was readily available from internal sources. | Amber |

RESOLVED:- To receive the External Auditor's report.

33 – Audit Committee Update

The External Auditors presented the Audit Committee Update report to Members. The report provided the Committee with details of the Auditor's progress in delivering their responsibilities as External Auditors. It also included a summary of emerging national issues and developments that may be relevant to the Council as well as a number of challenge questions in respect of those emerging issues which the Committee may wish to consider.

A table of progress as at December 2013 had been presented as follows:-

| Work | Planned Date | Complete? |
|---|--------------|-----------|
| 2013-2014 Accounts Audit Plan | April 2014 | No |
| We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements. | | |

| | | |
|---|--------------------------------------|-----------|
| <p>Interim Accounts Audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • Updating our review of the Council’s control environment; • Updating our understanding of financial systems • Review of Internal Audit reports on core financial systems; • Early work on emerging accounting issues; • Early substantive testing; and • Proposed Value for Money conclusion. | <p>February – March 2014</p> | <p>No</p> |
| <p>2013-14 Final Accounts Audit</p> <p>Including:-</p> <ul style="list-style-type: none"> • Audit of the 2013-14 financial statements; • Proposed opinion on the Council’s accounts; and • Proposed Value for Money conclusion. | <p>July – September 2014</p> | <p>No</p> |
| <p>Value for Money (VfM) Conclusion</p> <p>The scope of work to inform the 2013-14 VfM conclusion requires us to assess whether the Council has proper arrangements:</p> <ul style="list-style-type: none"> • in place for securing financial resilience; • for challenging how it secures economy, efficiency and effectiveness. <p>In planning work to support the conclusion on arrangements to secure VfM we will have regard to relevant risk indicators across these two criteria in considering the extent and focus of our local VfM work.</p> | <p>January – June 2014</p> | <p>No</p> |
| <p>Annual Audit Letter</p> <p>The Annual Audit Letter will summarise the key findings from the 2013/14 audit including:</p> <ul style="list-style-type: none"> • audit of the 2013/14 financial statements for the Borough Council and the Whole of Government accounts Submission; • Assessing the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources; and • Issues arising from our grant claims certification work. | <p>November 2014</p> | <p>No</p> |

The Borough Treasurer had provided comments on the issues identified in the table above under the Agenda item '2013-2014 Accounts Update' (Minute No. 34 refers).

The report further detailed emerging issues and developments including:-

- Value for Money (VfM) Conclusion;
- Annual Audit Letter;
- Income from charging;
- Business rate collection
- Voluntary Code of Practice on the Housing Revenue Account;
- Potential for procurement fraud;
- Simplifying and streamlining the presentation of Local Authority financial statements;
- Consultation on Local Authority Accounting Code of Practice for 2014/15;
- Property plant and equipment revaluations; and
- Public briefing on the Local Audit and Accountability Bill.

RESOLVED:- To receive the External Auditor's report.

34 – 2013-2014 Accounts Update

The Borough Treasurer submitted a report providing an update on the 2013-2014 Accounts, highlighting changes and updates that had occurred. The report also provided an update on the items highlighted for review following the 2012-2013 Accounts Audit.

She reported that the annual closedown timetable would be drawn up in January 2014 and would reflect any improvements or adjustments that had been identified during 2012-2013. There had been changes to the revaluation of fixed assets and the Assets Accountant has met with and discussed these with the Council's appointed Valuer. There had been no major problems with the closedown process used for 2012-2013.

Items highlighted in 2012-2013 audit

The following issues had been identified by the External Auditor for 2012-2013:-

Three areas had been highlighted for review following the 2012-2013 Accounts audit and these were reported in the Securing Financial Resilience report presented at the previous meeting.

- Sickness levels;
- Medium Term Financial Plan; and
- Segmental reporting.

Sickness levels

Sickness reports had been submitted by the HR Manager to Management Board on a quarterly basis. The new occupational health provider commenced on the

1st October, 2013. At quarter 2 the number of day's absence per employee was 5.37 days compared to 6.05 days for the previous year. The reasons for the absences had also been reported as had the split between long term and short term absences:

- Long term 778 days
- Short term 247 days

There were currently five employees who had been absent for over a month. Return to work interviews would be monitored to ensure that timely action could be taken where necessary.

The complete average number of days would not be known until the end of the financial year.

Medium Term Financial Plan

The Medium Term Financial Plan had been updated for the Efficiency Support Grant and the Workforce Strategy at the Executive Committee of the 13th November, 2013. The quarterly Council Finances report now included a section relating specifically to the Medium Term Financial Plan.

Segmental reporting

The quarterly Council Finances report required a decision based structure to be included in addition to the 'whole' General Fund current report for direct costs. This was being developed and would be implemented in 2013-2014 so that it could be reflected in the Statement of Accounts (Notes to the Main Accounting Statements).

Other Updates

The External Auditor's update report on the Agenda today had identified a number of recent items (Minute No. 33 refers). The Borough Treasurer provided Members with the Council's arrangements in relation to each item.

The Audit Commission published 'Income from Charging'. The Council had undertaken a complete pricing review as part of the Budget Strategy, which led into the budget setting for 2012-2013. The policy had been set for the Budget Strategy period with an annual review at budget setting. Income had been reported as part of the quarterly Council Finances to the Executive Committee and included specific main income streams. The 'market' for each service was monitored by the heads of service and fed through to the Borough Treasurer's Department as well as performance.

The Business Rates Retention Scheme had been introduced from April 2013. The Council's recovery rate for business rates was 98% which was also the average of all billing Authorities. The recovery of business rates was monitored monthly. At the year end the Borough Treasurer would estimate a provision for business rate appeals. The Cumbria Chief Finance Officers meet regularly as a group and have discussed business rate appeals and how to provide for their

potential success and likely value. From April 2014, it was anticipated that there would be Cumbria Business Rates Pool, so uniformity of estimates and provisions have been discussed early.

CIPFA and the Chartered Institute of Housing had published a 'Voluntary Code for Self-Financing the HRA'. The guidance had been reviewed and the Council did not need to make any major changes to the way it was operating the HRA or its business plan. However, the Code would be useful when revising the business plan in the future.

The Council had not experienced procurement fraud and maintained a segregation of duties for the purchasing and tendering processes, meaning that all procurement involved at least two Officers. The whistleblowing policy had last been approved by the Audit Committee in March 2013 and would be reviewed for the March 2014 meeting to ensure it was fit for purpose.

The Statement of Accounts had been reviewed for clutter during 2012-2013 and where information or notes were no longer relevant, these would be removed year by year; with new notes added as well. The explanatory foreword was particularly scrutinised during the last audit and the Borough Treasurer agreed changes with the External Auditor that would ensure a clearer overall picture for readers of the accounts. The Council's budget for the current year would be formally revised as part of the 2014-2015 budget setting process.

CIPFA had consulted on the 2014-2015 Local Authority Accounting Code of Practice. The consultation had been reviewed and responded to.

The Audit Commission had published a briefing note on the 'Local Audit and Accountability Bill'. The bill covered the procurement and appointment of Auditors once the Audit Commission had come to an end. Also, the future for the National Fraud Initiative and the review of value for money arrangements. The impact of any agreed changes would be reported to Committee.

RESOLVED:- To receive the Borough Treasurer's report.

35 – Fraud and Corruption Survey 2012-2013

The Borough Treasurer reported that at the meeting of the Committee on 26th September, 2013, she had reported the fraud statistics returned for the Council to the Audit Commission for 2012-2013 as follows:-

- Housing Benefit and Council Tax Benefit Fraud
 - Number of cases: 23
 - Value: £47,412.09 (no individual case was over £10,000)
 - Number of these that went to court: 11
 - Number resulting in prosecution: 11

Members had requested the value of the cases taken to court and for an update on their recovery.

The Borough Treasurer had advised that the 11 cases that went to court totalled £35,297.52 and the recovery, shown by stage, was as follows:-

- 1 case had been recovered in full, worth £678.00;
- 5 cases were in recovery and so far the Council had recovered £6,216.09;
- 2 cases were being recovered from ongoing benefit entitlements; £1,659.45 had been recovered so far; and
- 3 cases were in the recovery process but no payment had yet been made.

She advised the Committee that the current value of the prosecuted cases was £26,743.98 and recovery action would continue.

RESOLVED:- To note the report.

36 – Internal Audit Final Reports

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

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

There had been two final reports appended for consideration. The reports included and their assurance levels were as follows:-

1. Treasury Management – Unqualified Assurance; and
2. Information Security Policy Review – Substantial Assurance.

Members considered the reports and raised questions with the Head of Internal Audit.

RESOLVED:- To note the Internal Audit Final Reports.

37 – Internal Audit Progress Report

The Borough Treasurer reported that the Internal Audit Progress report for the period 1st April, 2013 to 2nd December, 2013 had been produced by the Head of Internal Audit.

The Head of Internal Audit attended the meeting to present the report to Members.

No Priority One recommendations had been made within the reporting period.

The report contained a Statistical Summary of the number of Audit recommendations (16). It was noted that all 16 recommendations had been fully accepted. Each of the recommendations had been assigned a Priority graded 1 to 3, 1 being major issues and 3 being minor issues. 12 had been assigned Priority 2 and 4 had been assigned Priority 3.

The Head of Internal Audit reported that the Fraud Hotline was a well-used service and presented the following statistics to Members:-

Fraud Hotline Calls

| | Revenues/ Benefit related | Staff Related | Other | Total |
|----------------------------------|--------------------------------------|----------------------|--------------|--------------|
| 2013/14 (April – December) | 82 | 0 | 2 | 84 |
| 2012-13 (Full Year) | 94 | 1 | 1 | 96 |

RESOLVED:- That the report be received.

38 – Risk Management

The Policy Review Officer attached as an appendix to his report, the Risk Register for 2013-2014. He reported that the Register continued to focus on those business critical risks which were under the control of the Council. The Risk Register had been reviewed by Management Board at their meeting on 4th October, 2013 and the following changes had been made:-

The inherent impact score for the risk “Impact of changes to the benefit system on income for the Housing Department” was increased from 4 to 5 and the mitigated impact score had increased from 3 to 4. The Housing Department had seen a significant increase in the level of rent arrears as Tenants were affected by the changes.

The risk regarding the Council’s liability with Municipal Mutual Insurance (MMI) had now been removed because the cost of the levy had been budgeted for.

The risk regarding the impact of pay review had been renamed “Impact of re-grading following the Executive Committee’s decision not to progress the pay review”. However, the Policy Review Officer reported at the meeting that this risk had been removed altogether as the re-grades had been budgeted for.

A Member had questioned how significant the rent arrears were and the Borough Treasurer advised they had increased since the start of 2013-2014. She advised the Committee that provision had been made for arrears and that by year end it was anticipated that they could start to reduce as Discretionary Housing payments may help to reduce arrears.

It was noted that Management had agreed a number of operational risks, full details of which had been appended to the Policy Review Officer’s report. The Operational Risks would be used to inform the development of the Council’s Business Continuity Plan.

The Policy Review Officer advised the Committee that at the October Management Board meeting the likelihood scores for the decent homes risk and the availability of homeless accommodation had both been reduced from 3 to 2 because the Council was confident it had appropriate arrangements in place.

A Member had raised concerns regarding the flood risk at West Shore Caravan Park at Earnse Bay which had approximately 500 residents. The Member asked if this risk needed to be highlighted within the Risk Register. The Borough Treasurer advised that this risk would fit under Risk 15 as a major incident which would involve providing temporary accommodation. The Policy Review Officer also commented that it would fit under the section for 'Availability of Homeless Accommodation' identified under the Operational Risks. He also reported that the Council are having dialogue with Embra regarding the relocation of some chalets which are deemed to be at a higher risk.

RESOLVED:- To note the information and that updates would be provided on a quarterly basis.

39 – Code of Corporate Governance

The Policy Review Officer submitted a report informing Members of changes to the framework for preparing a Code of Corporate Governance. He reported that the Council produced a Code of Corporate Governance which was reviewed on an annual basis. Guidance for preparing the Code had been provided by the Chartered Institute for Public Finance and Accountancy (CIPFA).

For the last two years, CIPFA had been working with the International Federation of Accountants (IFAC) to create an International Framework for Good Governance in the Public Sector, based on the 2005 Good Governance Standard for Public Services, produced in the UK by the Independent Commission on Good Governance in Public Services. The new framework had been issued for consultation on 17th June, 2013.

He reported that the Council were currently preparing the Code of Corporate Governance for 2014 based on that framework and he presented a draft copy of the Code at the meeting. It was noted that this Committee would be invited to endorse their Code at their meeting in March 2014.

RESOLVED:- To approve the Draft Code of Corporate Governance for 2014.

40 – Monitoring Priority 1 Recommendations

The Policy Review Officer reported that Internal Audit undertook reviews of Council's systems as defined in the Annual Audit Plan. The audit conclusion may include Priority 1 Recommendations which related to major issues that needed to be brought to the attention of Senior Management. Senior Managers would consider the recommendations and determine whether to accept or reject them. If the recommendations were accepted, the Manager would be agreeing to implement the recommendations.

To ensure that all agreed Internal Audit Priority 1 Recommendations were implemented in a timely manner they were now tracked by Management Board.

At the last meeting there had been one outstanding Priority 1 risk relating to the Business Continuity Plan and that risk was still outstanding. A draft Business Continuity Plan had been submitted to Management Board in June and the Council had been currently working on the infrastructure to support the Information and Communication Technology Disaster Recovery Plan and were trying to source a location for replica computer servers and telephone systems.

The Policy Review Officer advised the Committee that no additional Priority 1 recommendations had been identified and that the Business Continuity Plan was progressing. He advised that Craven House had been identified as a location for replica computer servers and telephone systems. All of the arrangements were in place, they just needed to be finalised.

RESOLVED:- To note the information.

The meeting closed at 3.08 p.m.

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| AUDIT COMMITTEE | (D) Agenda Item 7 |
| Date of Meeting: 6th March, 2014 | |
| 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

Risk Management

The risk register for 2013/14 is attached as **Appendix 1** it continues to focus on those business critical risks which are under the control of the Council.

The risk register was reviewed by management Board at their meeting of 10th February 2014 and the following change was made:

The mitigated impact score for risk 6 – The impact of welfare reform – was reduced from 4 to 3 giving a risk score of 12. The Housing Manager is satisfied that the mitigating actions are effective.

Operational risks

Management has agreed a number of operational risks and these are presented in **Appendix 1.1**. The operational risks will be used to inform the development of the Council's business continuity plan.

Background Papers

Nil

| Inherent risk score | | | | | Residual risk score | | | | |
|---|------------|--------|-------|---|--|--|------------|--------|-------|
| Threat | Likelihood | Impact | Score | Potential impact | Mitigating actions | Responsible Officer | Likelihood | Impact | Score |
| 1 Impact of changes to the benefit system on income for the housing Department | 5 | 5 | 25 | 75% of the Services income is received through Housing Benefit. At 2012 rents this equated to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income. The loss of housing benefit for under occupation of bedrooms is also having an impact on tenants. | A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan. The Service has recently reviewed its Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected. A new post has been created to assist with income recovery it is anticipated that this post will be cost neutral. | Housing Manager | 5 | 4 | 20 |
| 2 Future financial stability and sustainability of the Council. | 5 | 5 | 25 | Without sufficient funding plans discretionary services may be at risk of reduction or closure. Statutory services may be delivered with reduced service levels. Staff redundancies may not be avoidable. Funding to external bodies may be reduced. The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans. The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations. | The Council has an approved Budget Strategy to 2015-2016. The policies within the Strategy are the basis for the Council's General Fund revenue budget and its Medium Term Financial Plan. The Budget Strategy led to a restructuring of services and the Council as a whole, but recognised that further restructuring was required to achieve the desired balanced budget by 2015-2016. The Council has planned to use its reserves to set the pace of change but should its main funding reduce further than expected, this will impact on its plans. The Council will produce a longer term financial plan in 2013-2014. The impact of restructuring is closely monitored by Management Board, including recruitment and resourcing challenges in statutory services. The Council has a Workforce Strategy. The Council continues to bid for funding of all kinds when it becomes available and although this is not sustainable funding, it does support the delivery of the Councils Key Priorities. | Executive Director and Borough treasurer | 4 | 4 | 16 |

| Risk category: Corporate financial risks | | | | | | | | | |
|--|------------|--------|-------|-------------------------------------|------------------------------|---------------------------|------------|--------|-------|
| Threat | Likelihood | Impact | Score | Potential impact | Mitigating actions | Responsible Officer | Likelihood | Impact | Score |
| Impact of staff regrading | 4 | 4 | 16 | Increase costs from implementation. | Removed December 2013 | Deputy Executive Director | 4 | 3 | 12 |

What are the operational risks for service delivery?
 What could stop service delivery - what's the risk?

| Threat | L | I | S | Potential impact | Mitigating actions | Responsible | L | I | S |
|---|---|---|----|---|---|---------------------------|---|---|----|
| Not having adequate staffing to deliver key services. | 4 | 5 | 20 | Key services, including statutory services and demand led services cannot be delivered. | <p>The main key services apart from housing, leisure and enforcement are contracted out.</p> <p>Management Board co-ordinate leave to ensure that senior management is available.</p> <p>Staff holiday planning is undertaken by the managers within departments.</p> <p>Consultancy services are used where unplanned absences will result in statutory services being adversely affected. The Council has also agreed mutual aid arrangements for professional support with other local authorities.</p> <p>The Council has a Business Continuity Plan.</p> | Deputy Executive Director | 3 | 4 | 12 |
| Access to operational buildings. | 2 | 5 | 10 | Key services, including statutory services and demand led services cannot be delivered. | <p>Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities.</p> <p>Key back office functions performed in the Town Hall can be carried out from other operational buildings.</p> <p>There are several key holders for each operational building.</p> | Executive Director | 1 | 3 | 3 |

What are the operational risks for service delivery?
 What could stop service delivery - what's the risk?

| Threat | L | I | S | Potential impact | Mitigating actions | Responsible | L | I | S |
|---|---|---|----|--|---|--|---|---|---|
| Inadequate cashflow for operational purposes. | 2 | 5 | 10 | <p>Unable to make payments to benefit recipients, pay staff, pay contractors or suppliers.</p> <p>See item # relating to benefit payments.</p> <p>Services may be suspended or withdrawn should the Council not pay its debts.</p> | <p>The Council's cashflow is monitored daily against projections that are made for the year.</p> <p>The Council pays by BACS and CHAPS and does not issue cheques which can cause fluctuations in cashflow depending on when they are presented by the payee.</p> <p>The Council has an overnight account with its bank with a sufficient balance to cover unexpected payments.</p> <p>It is possible to call investments back before maturity; this incurs a penalty.</p> <p>The Council has headroom within its borrowing limit to draw down either a temporary or long term loans.</p> | Borough Treasurer | 1 | 2 | 2 |
| Unable to collect household waste. | 3 | 5 | 15 | <p>Households would potentially have side waste if the refuse container filled up due to delays in collections.</p> <p>There are health and safety issues with holding waste and particularly side waste for householders.</p> | <p>The waste collection service is contracted out.</p> <p>There is a waste management snow plan.</p> <p>There is capacity within the week to put on additional collections to catch up from any delays.</p> | Assistant Director of Community Services | 2 | 3 | 6 |
| Unable to pay housing benefits to claimants. | 3 | 5 | 15 | <p>Housing benefit recipients would be unable to pay their rent and this may jeopardise their tenancies.</p> | <p>The BACS file is produced by the Council's contractor a day ahead of time.</p> <p>The Council has support for BACS from its supplier and from its bank.</p> <p>Payments can be made by alternative methods in exceptional circumstances.</p> | Borough Treasurer | 2 | 2 | 4 |

What are the operational risks for service delivery?
 What could stop service delivery - what's the risk?

| Threat | L | I | S | Potential impact | Mitigating actions | Responsible | L | I | S |
|--|---|---|----|--|--|--|---|---|---|
| Maintenance of Council housing stock to decent homes standard. | 2 | 5 | 10 | Living conditions and safety of tenants may be adversely affected. | The housing maintenance programme is provided by a contractor. The housing department's maintenance team closely monitor | Housing Manager | 1 | 3 | 3 |
| Availability of homeless accommodation. | 2 | 5 | 10 | Nowhere to temporarily house homeless people. | The Council has arrangements with several local hotels and has an account set up with the Travel Lodge now set up. The Council also maintains some dispersed accommodation (12). | Housing Manager | 1 | 3 | 3 |
| Unplanned outage of the cremator. | 2 | 5 | 10 | Services are pre-booked and there would be disruption to users in rescheduling or transferring the services. There would be a loss of income. | The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined. | Assistant Director of Community Services | 2 | 3 | 6 |
| Failure of swimming pool filters or other breakage. | 2 | 4 | 8 | The swimming pool would be unavailable to users until fixed. If the outage ran over weeks, the gym & swim members may request a partial refund. There would be a loss of income. | The daily checks carried out on the swimming pool and associated plant would identify potential areas of concern and the appropriate contractor would be brought in to address the issues raised. | Assistant Director of Community Services | 2 | 3 | 6 |

| | |
|---|---|
| AUDIT COMMITTEE | Part One (D) Agenda Item 8 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Policy Review Officer | |
| <p>Title: Code of Corporate Governance</p> <p>Summary and Conclusions:</p> <p>Provide Members with the final version of the Code of Corporate Governance.</p> <p>Recommendations:</p> <p>To endorse this Code of Corporate Governance and agree that it can be published on the Council's website.</p> | |

Report

The Council produces a Code of Corporate Governance which is reviewed on an annual basis. Guidance preparing the code is provided by the Chartered Institute for Public Finance and Accountancy (CIPFA).

For the last two years, CIPFA has been working with the International Federation of Accountants (IFAC) to create an International Framework for Good Governance in the Public Sector, based on the 2005 *Good Governance Standard for Public Services*, produced in the UK by the Independent Commission on Good Governance in Public Services. The framework is designed as a reference document for those who develop governance codes for the public sector when updating and reviewing their own codes. The framework provides a shared understanding of what constitutes good governance in the public sector.

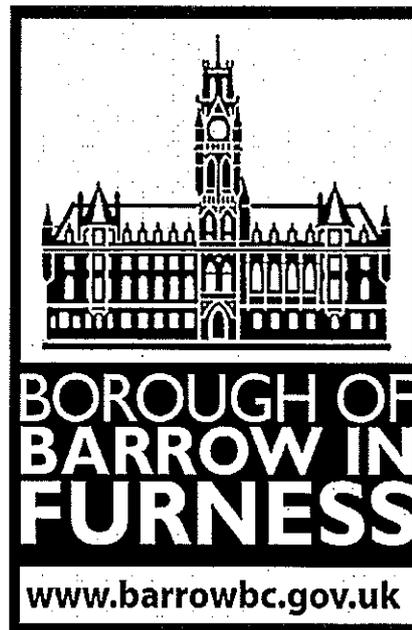
A draft version of the Code of Governance was prepared based on CIPFA's proposed guidance which contains most of the elements of the previous guidelines – delivering good governance in local government and was presented to this Committee at the meeting in December. I have had feedback from the Chair and Vice Chair of this Committee. The draft version was also presented to the assurance group who have provided their feedback.

Some minor changes have been made to the wording of the document but they do not impact on its content.

This Committee is invited to endorse the Code of Corporate Governance attached at **Appendix 2**.

Background Papers

Nil



Local Code of Corporate Governance 2014

Author
Latest review
Review date

Executive Director
December 2013
January 2014

Endorsed by Audit Committee TBA

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Local Code of Corporate Governance 2014

Contents

Version control: changes to previous publication.

The code has been reviewed to reflect the introduction of the International Public Sector Governance Framework. The code is based on the seven principles of good governance that are set out in the framework.

Introduction

The Council produces a code of corporate governance which is reviewed on an annual basis. Guidance preparing the code is provided by the Chartered Institute for Public Finance and Accountancy (CIPFA).

For the last two years, CIPFA has been working with the International Federation of Accountants (IFAC) to create an international framework for good governance in the public sector, based on the 2005 *Good Governance Standard for Public Services*, produced in the UK by the Independent Commission on Good Governance in Public Services. The new framework was issued for consultation on 17 June 2013.

In the framework governance is defined as:

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

Effective governance in the public sector encourages improved decision making and efficient use of resources. Effective governance is characterised by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption. Effective governance can improve management leading to better service delivery, and, ultimately, better outcomes.

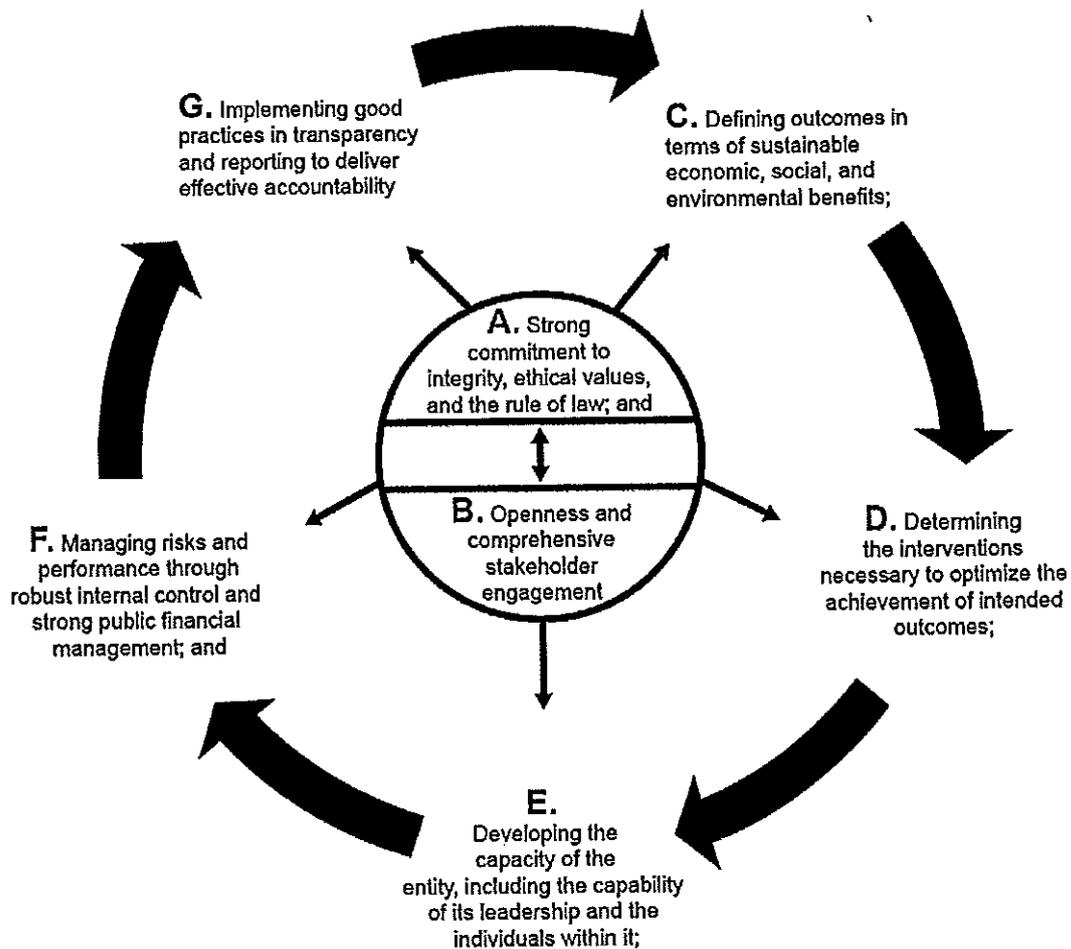
This Local Code of Corporate Governance is the document that sets out the framework within which the Council conducts its business and affairs.

The seven principles of good governance set out in the framework are:

- A. Strong commitment to integrity, ethical values, and the rule of law.
- B. Openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of intended out comes.
- E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency and reporting to deliver effective accountability.
- H. The Council produces a code of corporate governance which is reviewed on an annual basis. Guidance preparing the code is provided by the

Chartered Institute for Public Finance and Accountancy (CIPFA).

The core principles for good governance in the public sector are high level and bring together a number of concepts. The figure below sets out the relationship between the principles:



The Council's Local Code will comprise the following:

A: Strong commitment to integrity, ethical values, and the rule of law.

The Council is responsible for using national resources collected through taxation to provide services for our citizens. We are accountable not only for how much we spend but also for the way we use the resources with which we have been entrusted. In addition, we have an overarching mission to serve the public interest, in adhering to the requirements of legislation and government policies. Ethical values and standards are defined in the Council's Constitution and should form the basis for all our policies, procedures and actions as well as the behaviour of our Members and staff.

Council officers may be involved with interpreting laws; such activities demand a high standard of conduct that prevents these roles being brought into disrepute. We should demonstrate a strong commitment to the rule of law as well as compliance with all relevant laws.

This makes it essential that we can demonstrate the integrity of all our actions and that we have mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels.

1. The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.
2. We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution
3. We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.
4. We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture.
5. We have 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. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.
6. We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.
7. We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate.

8. Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.
9. Officers will 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.
10. We have 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.
11. We have established a governance group with the remit of collecting assurance information across all departments.
12. We will publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.

B: Openness and comprehensive stakeholder engagement

The Council operates for the public good and recognises there is a need for openness about our activities as well as clear channels of communication and engagement with all stakeholders. We must demonstrate that we act in the public interest at all times to maintain public trust and confidence. We should demonstrate clear reasoning for decision making and ensure that this is formally recorded for retrospective public scrutiny.

1. We will 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.
2. We will maintain culture of accountability so that Members and Officers understand to whom they are accountable and for what.
3. We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.
4. In 2014 we will put in place arrangements to enable the Council to engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.
5. We will publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements.
6. We will deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.
7. We will ensure that the Council as a whole is open and accessible to the

community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.

C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

The Council has prepared and published a plan which sets out the Council's priorities; a Medium Term Financial Plan which is a financial representation of the Council's Vision and supports the priorities and a Workforce Strategy which demonstrates how we will develop the capability and capacity to deliver the priorities. We will review these documents on a regular basis to ensure they reflect the vision of the Council.

1. We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We will publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.
3. We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
4. We will identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services.
5. We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.
6. We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.

D: Determining the interventions necessary to optimise the achievement of intended outcomes.

The Council clearly defines its priorities and plans which are aimed at delivering the outcomes that the Council intends. These will focus on delivering effective and efficient services for the residents. We assess the risks of not achieving those outcomes and ensure that there are mitigating actions in place to support the achievement of intended outcomes. The Council's financial management arrangements ensure that there is adequate resource available to deliver those outcomes. The Council reviews progress against delivering those outcomes through its performance management arrangements.

1. We will make a clear statement of the Council's purpose and vision and

- use it as a basis for corporate and service planning.
2. We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.
 3. We will ensure that there are effective arrangements in place to monitor service delivery.
 4. We will put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.
 5. We have prepared contingency arrangements including disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions.
 6. We will provide senior managers and Members with timely financial and performance information.
 7. We ensure that budget calculations are robust and reserves are adequate.
 8. We will align financial and performance data to provide an overall understanding of performance.

E: Developing the capacity of the Council including the capability of its leadership and the individuals within it.

The Council will develop and retain a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the Council objectives. We will provide training and support to enable staff to develop their skills so they can achieve their full potential.

1. Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.
2. We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.
3. We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.
4. We have developed 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.
5. We have 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.
6. We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.
7. We will ensure that effective management arrangements are in place at the top of the organisation.

8. The Executive Director is responsible and accountable to the Council for all aspects of operational management.
9. The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.
10. 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.
11. We have appointed a professionally qualified and experienced Chief Financial Officer, 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
12. The Monitoring Officer responsible to the Council for ensuring that the constitution is adhered to.
13. We will assess the skills required by Members including understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.
14. We will assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.
15. We will 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.
16. We will 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.
17. We will review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.
18. We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.

F: Managing risks and performance through robust internal control and strong public financial management.

The Council recognises the need to implement an effective performance management system that will allow us to deliver services effectively and efficiently. We understand that risk management, internal control and strong financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

1. We will maintain an effective Audit Committee which is independent of the executive and scrutiny functions.

Local Code of Corporate Governance 2014

2. We will enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.
3. We will 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.
4. We will ensure our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports.
5. We will ensure effective internal control arrangements exist for sound financial management systems and processes.

G: Implementing good practices in transparency and reporting to deliver effective accountability.

The Council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to understand and respond as the Council plans and carries out its activities in an open manner.

1. We comply with the local government transparency code and publish all required information in a timely manner.
2. We have established 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.
3. We have put in place effective transparent and accessible arrangements for dealing with complaints.
4. We will maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;
5. We will maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.
6. We will ensure an effective internal audit function is resourced and maintained.
7. We will maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
8. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.
9. We will put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.
10. We will produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.

Local Code of Corporate Governance 2014

11. We will maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.

Annual Review of Corporate Governance

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

The Annual Governance Statement includes:

- Scope of responsibility
- The purpose of the governance statement
- The Council's governance framework
- Review of effectiveness
- Assurance statements
- Internal Audit's opinion of the system of internal controls
- Financial management
- Significant governance and internal control issues
- Action plan
- Certification statement

The Annual Governance Statement addresses any actions arising from the previous years' Annual Governance Statement 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.

| | | |
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| AUDIT COMMITTEE | | Part One (D) Agenda Item 9 |
| Date of Meeting: 6th March, 2013 | | |
| Reporting Officer: Policy Review Officer | | |
| <p>Title: Monitoring Priority 1 Recommendations</p> <p>Summary and Conclusions:</p> <p>Monitoring the implementation of all agreed Internal Audit, Priority 1 Recommendations.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p> | | |

Report

Internal Audit undertakes reviews of Council's systems as defined in the Annual Audit Plan. The audit conclusion may include Priority 1 Recommendations which relate to major issues that need to be brought to the attention of senior Management. Senior Managers consider the recommendations and determine whether to accept or reject them. If the recommendation is accepted the Manager is agreeing to implement the recommendation.

To ensure all agreed Internal Audit Priority 1 Recommendations are implemented in a timely manner they are now tracked by Management Board.

At the last meeting of this Committee there was one outstanding Priority 1 risk relating to the Business Continuity Plan and this is still outstanding. A draft Business Continuity Plan was submitted to Management Board in June. We are currently working on the infrastructure to support the Information and Communication Technology Disaster Recovery Plan and have identified location for replica computer servers and telephone systems. We are currently in the process of obtaining quotations for communication links between the Town Hall and the remote location. It is anticipated that this will be complete by the end of Q4 or early in Q1.

Background Papers

Nil

Barrow Borough Council Priority 1 Recommendations 2011/13

| Audit Report | Recommendation | Responsible Officer | Current position |
|---|--|---------------------------|---|
| <p>RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)</p> | <p>In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should :</p> <p>a) designate a senior officer to be responsible for developing and maintaining its BCM procedures;</p> <p>b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM;</p> <p>c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises;</p> <p>d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities.</p> | <p>Executive Director</p> | <p>Partially implemented</p> <p>The Council has identified the Executive Director as the responsible officer for developing BCM procedures.</p> <p>Members of Management Board have clearly defined roles for identifying operation risks and using the information to assist in the development of the Business continuity plan.</p> <p>The operational assurance group will consider training needs and present them to management Board.</p> <p>No progress to date</p> |

| Audit Report | Recommendation | Responsible Officer | Current position |
|--|---|---------------------|---|
| RISK MANAGEMENT - BUSINESS CONTINUITY (11-08) | <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 | Executive Director | <p>Not Implemented</p> <p>The policy Review officer will prepare a draft Business Continuity Plan based on the operational risks that are identified by Management Board.</p> |

| Audit Report | Recommendation | Responsible Officer | Current position |
|--------------|--|---------------------|------------------|
| | <p>incident, sets out procedures and resources to enable services to resume and identifies accommodation/communications for the team and key service staff;</p> <ul style="list-style-type: none"> • 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. | | |

| | |
|--|--|
| AUDIT COMMITTEE | Part One (D) Agenda Item 10 |
| Date of Meeting: 6th March, 2014 | |
| 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 Plan. The final reports will be presented to Members by the Head of Internal Audit.</p> <p>Recommendations:</p> <p>Members are recommended to receive the Internal Audit final reports and raise any questions.</p> | |

Report

There are five final reports for consideration by Members:

| Audit Assignment | Reference | Audit Area | Assurance |
|-------------------------|------------------|---|------------------|
| Annual Audit | 12-23 | Document Retention (Appendix 3) | Substantial |
| Annual Audit | 13-05 | National Non Domestic Rates (Appendix 4) | Substantial |
| Annual Audit | 13-07 | Budgetary Control (Appendix 5) | Substantial |
| Annual Audit | 13-10 | Payroll (Appendix 6) | Unqualified |
| Contract Audit | CR 83 | Dock Museum New Access and Replacement Car Park (Appendix 7) | Substantial |

These will be presented to Members by the Head of Internal Audit.

For information the assurance and recommendations assigned to Internal Audit reports are as follows:

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.

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 12-23
DOCUMENT RETENTION

Executive Summary

Introduction

The Council's Record Retention Policy was approved in January 2009. Its aims are to promote improved record management practices, identify records worth saving permanently, prevent the premature or haphazard destruction of vital records and provide consistency for the destruction of records not required permanently, regardless of format.

The Policy provides a framework for the Council to comply with the requirements of Data Protection and Freedom of Information legislation. The Retention Schedule to the Policy classifies documents into broad categories based on national guidelines, provides examples of records maintained by the Council and sets out retention periods and disposal methods. Contractors using personal data supplied by the Council are expected to use that data in a responsible manner and to take appropriate action at the end of the contract.

The Corporate Services Officer in the Legal Services Section is responsible for maintaining and revising the Policy.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to review the internal controls over the Document Retention system. The scope and objectives of the audit were discussed and agreed in advance with the Corporate Services Officer.

Audit work included a control evaluation of the system design, and testing of the operation of key controls.

| Key Points |
|-------------------------------|
| Substantial Assurance |
| Eight important issues |
| Three minor issues |

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. Discussions with Council officers have indicated that significant progress is being made to implement changes to address these weaknesses; as a result we have been able to provide substantial assurance for the system. We have made eight Priority 2 recommendations, as follows:

- The Council should:
 - a) review its Record Retention Policy, aligning it as far as possible with the Information and Records Management Society guidelines;

- b) formally allocate responsibility for the review and maintenance of the Policy;
and
- c) ensure that all relevant staff are consulted and encouraged to take an active involvement in the review of the Record Retention Policy;
- The next review of the Record Retention Policy should consider the improvements identified within this audit, namely additional guidance regarding storage/security and disposal, greater consultation/provision of examples, further clarity for users and accuracy regarding retention periods;
- The Council should promote staff awareness of the Record Retention Policy, for example by training sessions and improved accessibility;
- Departmental managers should:
 - a) ensure that documents and data are retained for the periods stated within the Record Retention Policy and are disposed of or destroyed at the end of the specified period; and
 - b) introduce formal registers to record the destruction of records at the end of their retention periods;
- The Council should consider the storage and resource implications of compliance with its Record Retention Policy;
- Management should:
 - a) confirm the contractual data backup procedures applying to the Park Leisure Centre server; and
 - b) if these are adequate, ensure they are applied; or
 - c) if they are not adequate, introduce satisfactory backup arrangements;
- The Council should:
 - a) consider whether service departments should maintain staff personal files rather than this information being centralised within the Personnel Section;
and
 - b) include guidance on this within the Record Retention Policy; and
- The Council should:
 - a) agree data retention periods with Liberata so that the company's holding of data conforms to the Record Retention Policy; and
 - b) require Liberata to:
 - i) destroy historical test documentation which has been spuriously linked to valid benefit claims and, if necessary, local taxation accounts; and
 - ii) ensure that future test data is not recorded in live systems.

In addition, we have made the following three Priority Three recommendations:

- The Council should:
 - a) ensure that satisfactory conditions apply to personal data used by four specified contractors, namely, Riverside Housing Association, Integral, Vinci and Pulse; and
 - b) confirm the ownership of the Park Leisure Centre gym membership data maintained by Pulse;
- The Council should consider amending the Purchasing Procedures to require contractors employed under its provisions to enter into a data sharing agreement (similar to that required under Contract Standing Orders), where they are provided with personal data in order to deliver a service; and
- The Council should amend the Record Retention Policy so that the retention period for tender envelopes, opening notices and unsuccessful tender documents is adequate for contract audit purposes.

Management Response

We have received a constructive management response from Management Team accepting the report and confirming that several recommendations have already been implemented.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 13-05
NATIONAL NON DOMESTIC RATES

Executive Summary

Introduction

The Council's National Non Domestic Rates (NNDR) service is administered by Liberata, using the Northgate iWorld system, as part of a long term contract awarded in 1998. The total rateable value for the 2,275 non-domestic properties in the Borough is around £59m, which produces a gross liability of approximately £28m for 2013/14.

Audit Objectives

An audit of this system forms part of the agreed 2013/14 programme. The audit objectives were to review the internal controls over the National Non Domestic Rates system. The scope and objectives of the audit were discussed and agreed in advance with the Senior Rates Officer.

| Key Points |
|-----------------------------|
| Substantial Assurance |
| One Previous Recommendation |

Audit work included a control evaluation of the system design, and testing of the operation of key controls.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound income receipting system, there are weaknesses, which put some of the system objectives at risk. We have not made any new recommendations; however, there is one recommendation partially outstanding from the previous report.

Internal Audit reviewed the three recommendations from report 12-05, dated February 2013. Two recommendations have been implemented and one recommendation has been partially implemented, the outstanding points are as follows:

- The Council and Liberata should review the process of requesting and approving the write off of irrecoverable NNDR debts to incorporate the following controls:
 - a) the production and maintenance of up to date documented procedures for the process; and
 - b) reconciliation of the amount of arrears proposed for write off to supporting records, with reconciliations being signed and dated by the preparer.

Management Response

We have received a constructive management response from the Senior Revenues Technician, providing an update on the status of the recommendation.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 13-07
BUDGETARY CONTROL

Executive Summary

Introduction

The Council's Budgetary Control function is managed by the Borough Treasurer's Department. Budget preparation and control processes are documented in a detailed timetable together with written procedures. Responsibility for individual cost centre budgets is allocated to the relevant budget holder. Each Accountant monitors a number of specified cost centres and liaises with the budget holders to ensure the efficient and effective management of Council funds.

Budget and actual transactions are recorded and controlled at cost centre level via the Council's Oracle Financial System. Approved budgets for the financial year 2013/14 total:

- General Fund Revenue - £11,168,690
- Capital Programme - £7,555,870
- Housing Revenue Account expenditure/income - £10,412,420.

Audit Objectives

An audit of this system forms part of the agreed 2013/14 programme. The audit objectives were to evaluate and test the internal controls over the Budgetary Control function. The scope and objectives of the audit were discussed and agreed in advance with the Chief Accountant (Systems).

Audit work included a control evaluation of the system design and testing of the operation of key controls.

| Key Points |
|-----------------------|
| Substantial Assurance |
| Two minor issues |

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 made two Priority 3 recommendations as follows:

- ensuring that its standard practice of seeking cost centre managers' formal agreement in relation to budgets under their control and virements performed by Accountants is consistently performed; and
- considering introducing regular, formal meetings between Cost Centre Managers and Accountants to assist in the budget monitoring process.

Management Response

We have received a constructive management response from the Chief Accountant (Technical), accepting both of the recommendations.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 13-10
PAYROLL

Executive Summary

Introduction

Salaries and expenses of Council Officers and Members' allowances and expenses are administered by the Borough Treasurer's Department. Processing and payment is outsourced to Selima, who provide a fully managed service, based on payroll information submitted monthly by Council staff.

The November 2013 monthly payroll involved employee costs of approximately £477,000 with net payments of £316,000 to 269 officers and 36 Councillors.

Audit Objectives

An audit of this system forms part of the agreed 2013/14 programme. The audit objectives were to evaluate and test the operation of internal controls over the Payroll function. The scope and objectives of the audit were discussed and agreed in advance with the Chief Accountant (Systems).

| Key Points |
|-----------------------|
| Unqualified Assurance |
| No recommendations |

Audit work included a control evaluation of the system design and testing of the operation of key controls. In addition, Internal Audit perform routine quarterly checks on payroll control account reconciliations to confirm that these are prepared appropriately by Council staff.

Audit Conclusion – *Unqualified Assurance*

As a result of the audit we have concluded that there is a basically sound system of control, and as such we have not raised any new recommendations.

Additionally, Internal Audit reviewed all outstanding agreed recommendations made in earlier Audit Reports on the Payroll function.

The four recommendations made in Audit Report 12-11, dated June 2013, have all been fully implemented.

The one outstanding recommendation made in Audit Report 11-14, dated December 2011, has been fully implemented.

The one outstanding recommendation from Audit Report 08-21, dated February 2009, has been fully implemented.

Finally, the one outstanding recommendation from Audit Report 07-17, dated December 2007, has also been fully implemented.

Management Response

We have received a constructive response from Chief Accountant (Systems) accepting the report.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 83
DOCK MUSEUM NEW ACCESS AND REPLACEMENT CAR PARK

Executive Summary

Introduction

This project relates to the replacement of the Dock Museum car park, new vehicle access and associated drainage works following the sale of land to facilitate the construction and operation of a hotel. The estimated project cost, including fees, was originally reported as £355,000, to be funded through the Capital Programme. The contract was let in the sum of £240,809.49 to the lowest tenderer, L & W Wilson (Endmoor) Ltd; the lead consultant for the project was M & P Gadsden Consulting Engineers Ltd.

The most recent document supplied by the consultant has valued the total works at £294,492.22, an increase of 22.3%. A final account has not yet been issued, however Internal Audit have identified errors in valuations which will increase the valued works figure by £4,592.95.

Audit Objectives

Internal Audit are required to consider for review all contracts entered into by the Council. The Borough Treasurer through the Head of Internal Audit will select all contracts valued over £100,000 and a sample of smaller contracts for detailed scrutiny and review.

The audit objectives were to perform an examination of the interim and final account and associated documentation.

| Key Points |
|-----------------------|
| Substantial Assurance |
| Nine important issues |
| One minor issue |

Audit Conclusion – *Substantial Assurance*

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

We have made the following nine Priority 2 recommendations relating to:

- ensuring that specific requirements stated in Contract Standing Orders are included fully in contract documents;
- the Council ensuring that:
 - a) the correct unit rates for Preliminary items are applied in all valuations; and
 - b) retrospective adjustments to the contract final account are made where necessary;

- the Consulting Engineer should require the contractor to provide calculated and priced Day Work sheets prior to authorising additional payments for extra work, which is completed at enhanced rates;
- the identified discrepancies in the most recent valuation of completed work are corrected by the Consulting Engineer before issue of the contract final account;
- the Consulting Engineer should be instructed to authorise and issue:
 - a) a formal certificate reflecting the approved extension of time and varying the Contract Date for completion; and
 - b) a Certificate of Practical Completion, when satisfied that the main works have been completed;
- the appropriate deduction for liquidated and ascertained damages is made to the final account for this contract;
- the Consulting Engineer and contractor for this project produce an agreed Final Account which includes the correction of arithmetical errors and deduction of liquidated and ascertained damages;
- ensuring that consultants employed to supervise capital contracts follow recognised formal procedures in their management of those contracts; and
- the financial standing of contractors is assessed before they are invited to tender for contracts.

In addition, we have made a Priority 3 recommendation, as follows:

- that the Contract Management Checklist is fully completed on a timely and accurate basis for each stage of a project's progress.

Management Response

We have received a constructive response from the Assistant Director Regeneration and Built Environment accepting eight recommendations and partially accepting two.

Acknowledgement

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

CONTRACT PARTICULARS

| | |
|--|--|
| Contract Title: | New Access Road and Car Park at Dock Museum, Barrow in Furness |
| Contract Form: | ICE Minor Works of Civil Engineering Construction First Edition (January 1988) |
| Contractor: | L & W Wilson (Endmoor) Ltd. |
| Engineer: | M & P Gadsden Consulting Engineers Ltd. |
| Quantity Surveyor: | Not Stated |
| Other Consultants | Baker Mallett – CDM Co-ordinator |
| Tender Sum: | £240,809.49 |
| Contract Sum: | £240,809.49 |
| Date for Possession: | 3 December 2012 |
| Date for Completion: | 19 May 2013 |
| Date of Practical Completion: | 16 July 2013 |
| Extension of Time Granted: | 4 weeks |
| Delay in Completion: | 30 days |
| Liquidated and Ascertained Damages provision/paid/received: | 30 days at £100.00 per day = £3,000.00 damages to be considered. |
| Minimum Insurance Cover Required | £5m Public Liability |
| Minimum Insurance Cover Confirmed | £5m Public Liability |
| Minimum Bond Required | Bond provided £24,080.95 (10% of Contract Sum) |
| Retention Amount | Retention 5% to Practical Completion Retention 2.5% during Defects Period |
| Latest Contract Valuation: | £294,492.22 |
| Anticipated Final Account Sum: | £299,085.17 |
| Percentage increase/decrease: Latest Valuation against Contract Sum Anticipated Outturn against Contract Sum | 22.3% 24.2% |

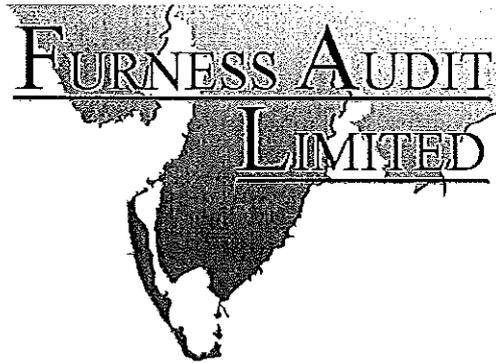
| | |
|--|--|
| AUDIT COMMITTEE | Part One (D) Agenda Item 11 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: Internal Audit Progress Report</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Progress Report for the period 1st April 2013 to 25th February, 2014 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive the Internal Audit Progress Report and raise any questions.</p> | |

Report

The Internal Audit Progress Report for the period 1st April, 2013 to 25th February, 2014 is attached at **Appendix 8** and will be presented to Members by the Head of Internal Audit.

Background Papers

Nil



BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April 2013 to February 2014

2013/14

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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 25th February 2014, 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 2013 and 25th February 2014. 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 have made in our final reports issued up to 25th February 2014; analysed by their priority, including whether accepted by management.

| Recommendations | Total | Priority 1 | Priority 2 | Priority 3 |
|------------------------|--------------|-------------------|-------------------|-------------------|
| Made | 39 | - | 29 | 10 |
| Fully Accepted | 36 | - | 26 | 10 |
| Partly Accepted | 3 | - | 3 | - |
| Not Accepted | - | - | - | - |

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

No Priority One recommendations were made within the reporting period.

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

APRIL – FEBRUARY 2014

| Report Number | Audit Assignment | System Significance Band | Status | Assurance |
|---------------|---|--------------------------|------------------------------|-------------|
| | ANNUAL AUDITS | | | |
| 13-01 | Income Collection | 1 | Final | Substantial |
| 13-02 | Housing and Council Tax Benefits | 1 | Commenced | |
| 13-03 | Council Tax | 1 | Initial Draft | Substantial |
| 13-04 | Performance Management | 2 | | |
| 13-05 | Business Rates (NNDR) | 1 | Final | Substantial |
| 13-06 | Risk Management | 1 | | |
| 13-07 | Budgetary Control | 2 | Final | Substantial |
| 13-08 | Treasury Management | 2 | Final | Unqualified |
| 13-09 | Car Park Meter Income | 2 | Final | Substantial |
| 13-10 | Payroll (inc. Expenses) | 2 | Final | Unqualified |
| 13-11 | Accounts Receivable | 2 | Draft | Substantial |
| 13-12 | Corporate Control/Governance | 2 | Commenced | |
| 13-13 | Main Accounting System and Periodic Controls | 2 | Quarter 2 Complete | |
| 13-14 | Procurement (inc. Ordering) | 2 | | |
| 13-15 | Accounts Payable | 2 | Draft | Substantial |
| 13-16 | Housing Rents | 2 | Fieldwork Complete | |
| 13-17 | Standing Orders /Financial Regs/ Anti Fraud | 2 | Complete | N/a |
| 13-18 | Housing Non Routine Maintenance | 2 | | |
| | | | | |
| | RISK ASSESSED SYSTEMS | | | |
| 13-24 | Grant Funding - Empty Homes Grant | n/a | Certification letter signed. | |
| 13-21 | Receipt Book Checks | n/a | Ongoing | |
| 13-25 | Probity Liberata Access Control Investigation | n/a | Complete | |

| Report Number | Audit Assignment | System Significance Band | Status | Assurance |
|---------------|--|--------------------------|-----------|-------------|
| | | | | |
| | COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT | n/a | | |
| - | Hawcoat | | Complete | |
| - | Abbotsvale | | Complete | |
| - | Dalton Community Association | | Complete | |
| - | Barrow Playing Fields Users Association | | | |
| 13-20 | Mayor's Account | | Complete | |
| | | | | |
| | | | | |
| | IT ENVIRONMENT AUDITS | 1 | | |
| IT51 | Information Security Policies | | Final | Substantial |
| IT52 | IT Infrastructure Management | | Commenced | |
| IT53 | Implementation Review | | Complete | - |
| | | | | |
| | CONTRACT AUDIT | 1 | | |
| CR77 | Proposed Soccer Centre, Park Leisure Centre | | Ongoing | |
| CR82 | North Central Group Repair Scheme | | Ongoing | |
| CR83 | Dock Museum New Car Park and Access Stages 3&4 | | Final | Substantial |
| CR84 | Barrow Cemetery NW Extension | | Ongoing | |
| CR85 | Catering and Events Management | | Draft | Restricted |
| CR86 | Town Hall Roof | | Commenced | |
| CR87 | Craven House Roof | | Commenced | |
| CR88 | Heating and Ventilation Contract | | Commenced | |

| Report Number | Audit Assignment | System Significance Band | Status | Assurance |
|---------------|--|--------------------------|----------|-----------|
| | IMPLEMENTATION REVIEW | n/a | | n/a |
| 08-28 | Client Monitoring | | Complete | |
| 07-26 | Corporate Health and Safety Review | | Complete | |
| 08-36 | Data Protection (Client Aware System) | | Complete | |
| 08-33 | Development Control | | Complete | |
| 11-23 | Leisure Centre | | Complete | |
| 11-29 | Personnel | | Complete | |
| 08-05 | Barrow Park | | Complete | |
| 10-27 | Non-Routine Public Buildings Maintenance | | Complete | |
| 11-24 | Disabled Facilities Grants | | Complete | |
| 11-28 | Grounds Maintenance | | Complete | |
| 10-24 | Catering Contract - The Forum | | Complete | |
| 9-34 | Sodexo Dock Museum Café | | Complete | |
| IT39 | Information Security Policy | | Complete | |
| IT 42-44 | General Controls | | Complete | |
| IT 45 | Internet Access and Security | | Complete | |
| IT49 | Code of Connection | | Complete | |
| IT50 | Internet and Email Controls | | Complete | |
| | | | | |

Fraud Hotline Calls

| | Revenues/ Benefit related | Staff Related | Other | Total |
|--|------------------------------|---------------|-------|-------|
| 2013/14 (April 13 – February 14) | 97 | 0 | 7 | 104 |
| 2012-13 (Full year) | 94 | 1 | 1 | 96 |

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 |
|-------|--------------------------------|--------------------------------|
| CR85 | Catering and Events Management | 29 th November 2013 |
| 13-15 | Accounts Payable | 22 nd January 2014 |
| 13-11 | Accounts Receivable | 20 th February 2014 |

APPENDIX 2 – RESTRICTED ASSURANCE AUDITS

No Final reports were issued in the period with Restricted Assurance.

| | |
|---|--|
| AUDIT COMMITTEE | Part One (D) Agenda Item 12 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: Internal Audit Annual Plan 2014-2015</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Annual Plan 2014-2015 has been produced by the Head of Internal Audit. The Head of Internal Audit will 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 Internal Audit Annual Plan 2014-2015; and 2. Raise any questions or concerns with the Head of Internal Audit. | |

Report

The Internal Audit Annual Plan 2014-2015 is attached at **Appendix 9** and will be presented to Members by the Head of Internal Audit.

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2014/15

| Audit | Significance Band | Division | Days |
|---|-------------------|-------------------------------|------------|
| ANNUAL AUDITS | | | |
| Income Collection | 1 | Finance | 15 |
| Housing and Council Tax Benefits | 1 | Revenues & Benefits | 20 |
| Council Tax | 1 | Revenues & Benefits | 22 |
| Business Rates (NNDR) | 1 | Revenues & Benefits | 10 |
| Risk Management | 1 | Corporate Support | 8 |
| IT Environment Audits | 1 | Corporate Support | 25 |
| Contract Audit | 1 | Corporate Support | 30 |
| Contract Management Checklist Coverage | 1 | Corporate Support | 70 |
| Performance Management | 2 | Corporate Support | 7 |
| Budgetary Control | 2 | Finance | 9 |
| Treasury Management | 2 | Finance | 7 |
| Car Park Meter Income | 2 | Community Services | 10 |
| Payroll (inc. Expenses) | 2 | Finance | 15 |
| Accounts Receivable | 2 | Finance | 10 |
| Corporate Control/Governance | 2 | Corporate Support | 6 |
| Main Accounting System & Periodic Controls | 2 | Finance | 32 |
| Procurement (inc. Ordering) | 2 | Corporate Support | 15 |
| Accounts Payable | 2 | Finance | 10 |
| Housing Rents | 2 | HRA | 12 |
| Standing Orders/Financial Regs/Anti Fraud | 2 | Corporate Support and Finance | 8 |
| Housing Non Routine Maintenance | 2 | HRA | 15 |
| RISK ASSESSED SYSTEMS | | | |
| Audits identified by their significance rating or agreed with Senior Management to ensure adequate coverage of the Council's internal controls. | 3, 4 & 5 | All Divisions | 30 |
| DESIGNATED ANNUAL AUDIT ACTIVITY | | | |
| VFM Reviews/Cash Floats/Receipt Books | - | | 15 |
| Community Organisations (inc. Mayor's Account) | - | | 20 |
| Fraud Hotline | - | | 15 |
| Funding Checks/Grant Claims | - | | 10 |
| NFI Responsibilities | - | | 25 |
| AUDIT MANAGEMENT | | | |
| Implementation Review | - | | 15 |
| Probity | - | | 10 |
| Audit Administration | - | | 10 |
| Audit Committee | - | | 6 |
| Audit Management/Planning/Reporting | - | | 15 |
| External Audit Liaison | - | | 3 |
| TOTAL AUDIT DAYS | | | 530 |

| | |
|--|--|
| AUDIT COMMITTEE | Part One (D) Agenda Item 13 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: External Audit Certification Report 2012-2013 Update</p> <p>Summary and Conclusions:</p> <p>The Certification Report for 2012-2013 was presented at the meeting on 12th December, 2013 by the External Auditors. An additional appendix, setting out the audit fees, is presented here.</p> <p>Recommendations:</p> <p>Members are recommended to note 'Appendix C' of the Certification Report for 2012-2013, attached here as Appendix 10.</p> | |

Report

The External Auditors presented the Certification Report for 2012-2013 at the meeting of the 12th December, 2013. An additional appendix is required for the report and this is attached at **Appendix 10**. The appendix sets out the audit fees. The External Auditors will be present at the meeting to answer any questions.

Background Papers

Certification Report 2012-2013

Appendices

Appendix C: Fees

| Claim or return | 2011/12 fee (£) * | 2012/13 indicative fee (£) | 2012/13 actual fee (£) | Variance (£) | Explanation for significant variances |
|--|-------------------|----------------------------|------------------------|--------------|---------------------------------------|
| Housing benefits subsidy claim | 31,761 | 20,810 | 20,810 | 0 | |
| National non-domestic rates return | 3,863 | 1,120 | 1,120 | 0 | |
| Housing pooled Capital Receipts return | 950 | 370 | 370 | | |
| Total | 36,574 | 22,300 | 22,300 | 0 | |

* 2011/12 fee less 40% fee reduction applicable for 2012/13 onwards. This is shown in this way to make it comparable to the 2012/13 fee.

| | |
|---|--|
| AUDIT COMMITTEE | Part One (D) Agenda Item 14 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: External Audit Benchmarking Financial Resilience</p> <p>Summary and Conclusions:</p> <p>A report benchmarking the Council's arrangements for financial resilience has been produced by the External Auditors. The External Auditors will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive the External Auditor's report and raise any questions.</p> | |

Report

The External Auditors have produced a report benchmarking the Council's arrangements for financial resilience. The report is attached at **Appendix 11** and will be presented to Members by the External Auditor.

Background Papers

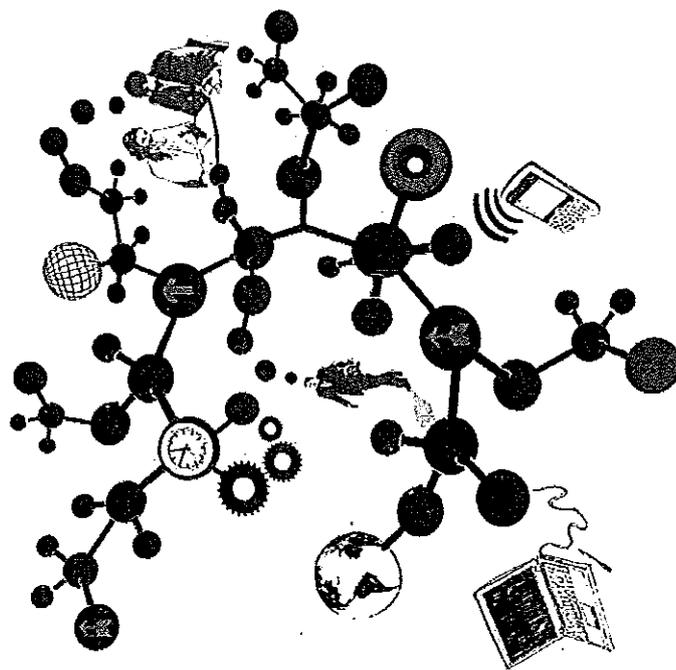
Nil



Benchmarking your arrangements for securing Financial Resilience – Barrow-in-Furness Borough Council

February 2014

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Introduction

| | |
|---|--------|
| 1 Introduction | Page 3 |
| 2 Your financial resilience performance | Page 4 |
| 3 How do you compare? | Page 5 |

Introduction

Value for Money conclusion

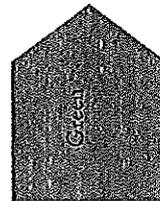
Our work supporting our Value for Money (VfM) conclusion, as part of the statutory external audit, includes a review to determine if councils have proper arrangements in place for securing financial resilience.

In so doing we consider whether councils have robust financial systems and processes in place to manage their financial risks and opportunities, and to secure a stable financial position that enables them to continue to operate for the foreseeable future

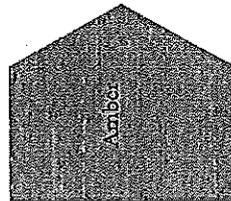
The definition of foreseeable future for the purposes of these financial resilience reviews is 12 months from the date of our reports to clients.

Our Financial Resilience Ratings

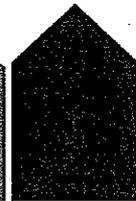
We use a red/amber/green (RAG) rating with the following definitions



Arrangements meet or exceed adequate standards. Adequate arrangements identified and key characteristics of good practice appear to be in place.



Potential risks and/or weaknesses. Adequate arrangements and characteristics are in place in some respects, but not all. Evidence that the Council is taking forward areas where arrangements need to be strengthened.



High risk: The Council's arrangements are generally inadequate or may have a high risk of not succeeding

Benchmarking for Barrow-in-Furness BC

This benchmarking pack should be considered alongside our Financial Resilience report which we reported to Audit Committee on 26 September 2013, and in the light of the issue of our national report on financial resilience in the sector "*2016 tipping point? Challenging the current?*".

The benchmarking compares Barrow in Furness Borough Council with the total population of over 130 councils and also with sub-populations as follows:

- Cumbria councils only;
- district council type only.

Financial Resilience Report

In our Financial Resilience Report we assessed the Council as GREEN and concluded that whilst the Barrow in Furness Borough Council has, in common with all local authorities, faced a significant reduction in the level of financial support it receives from central government, its current arrangements for securing financial resilience are appropriate.

Guidance

In the graphs that follow the performance of Barrow in Furness Borough Council is identified by the black square, which appears at the mid-point of the segment with the relevant colour. For example, if the council's score was green then the black square appears in the middle of the green segment, and so on.

Your Financial Resilience Performance

What is the picture for 2012-13?

We have reviewed:

- key indicators of financial performance;
- strategic financial planning;
- financial governance; and
- financial control.

Within these thematic areas we have looked at 22 different categories and the graph below shows your performance in these categories. To the left are the overall ratings for the four themes, and to the right are the 22 categories.

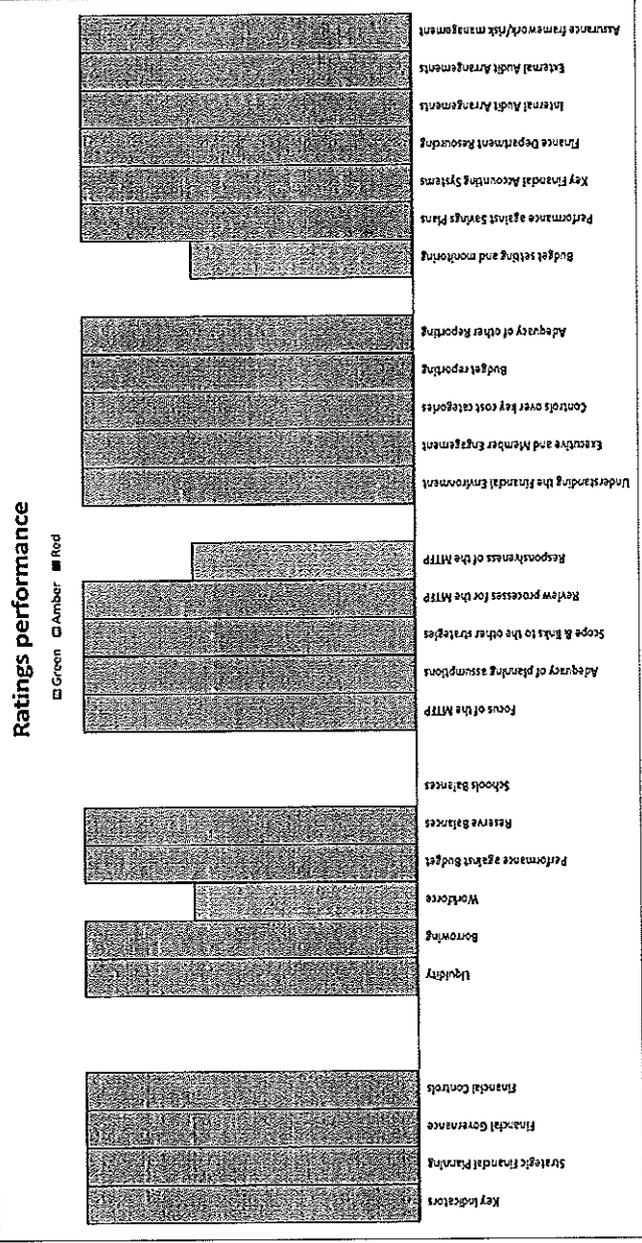
The Council has achieved Green ratings for the 4 thematic categories with green rating achieved in all categories other than *workforce, responsiveness of the medium term financial plan (MTFP) and budget setting and monitoring.*

The amber rating for *workforce* reflected the Council's level of sickness absence increasing in 2012/13 and being higher than the local government average. We have previously acknowledged that:

- the Council's analysis has identified that long term sickness makes up a significant proportion of the days lost;
- Management are working with the Council's Occupational Health providers to reduce the level of long and short term sickness absence

The *responsiveness of the MTFP* amber rating reflected the need to update it to capture the impact of receipt of efficiency grant monies and the Executive Committee's approval of a new Workforce Strategy

The amber rating for *budget setting and monitoring* reflected the fact that at the time of our initial review work was being undertaken within the Council to improve the budget setting, monitoring and reporting framework.



How do you compare?

Benchmarking against all councils

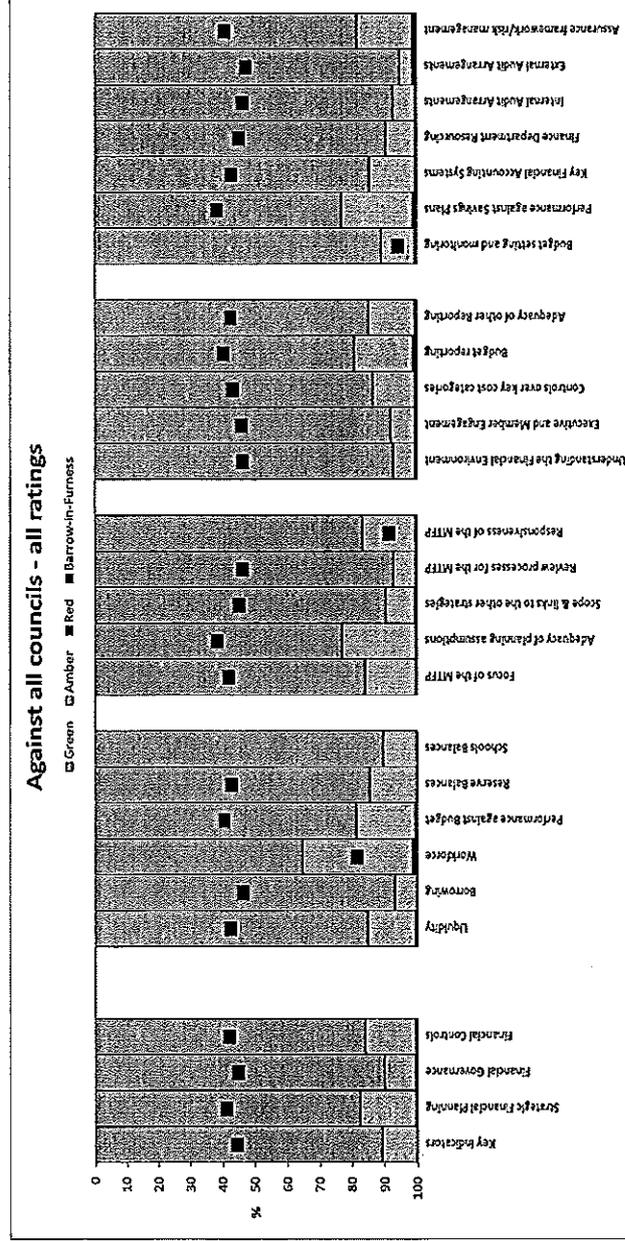
The graph below shows how Barrow in Furness Borough Council performs against the results for all councils in 2012-13. Your scores are plotted as the black squares overlying the population performance: the colour that your black square lies in indicates the level you achieved.

You can draw the following conclusions about the population:

- local government's performance overall is good – in all categories at least half of councils achieved green status and most amber categories affect a third of councils or less: the incidence of red ratings is very small – although for the thematic areas these all occur in the north;
- none of the thematic areas is demonstrably weaker than any other;
- previous reviews show that the key indicators of performance theme has seen every one of its categories weaken since 2011-12, notably in the Workforce category.

You can draw the following conclusions about your own performance:

- Barrow in Furness Borough Council has performed well across all thematic categories;
- for your amber assessments
- ✓ **workforce** was in a category where over 30% of council's were also amber - i.e. you were not alone;
- ✓ 20% of council's were assessed amber for **responsiveness of the MTFP** – to provide context the Council's rating did not reflect any areas of significant concern, simply reflecting the need to ensure the MTFP it is kept up to date and specifically to capture the impact of the receipt of efficiency grant monies and the Executive Committee's approval of a new Workforce Strategy;
- ✓ the Council is amongst only 10% of council's assessed as amber for **budget setting and monitoring** - providing context again, we acknowledged at the time of our 2012/13 review that work was being done to improve the Council's budget setting, monitoring and reporting framework.



How do you compare?

Benchmarking against Cumbria Councils only

The graph below shows how you perform against the results for other Cumbria councils.

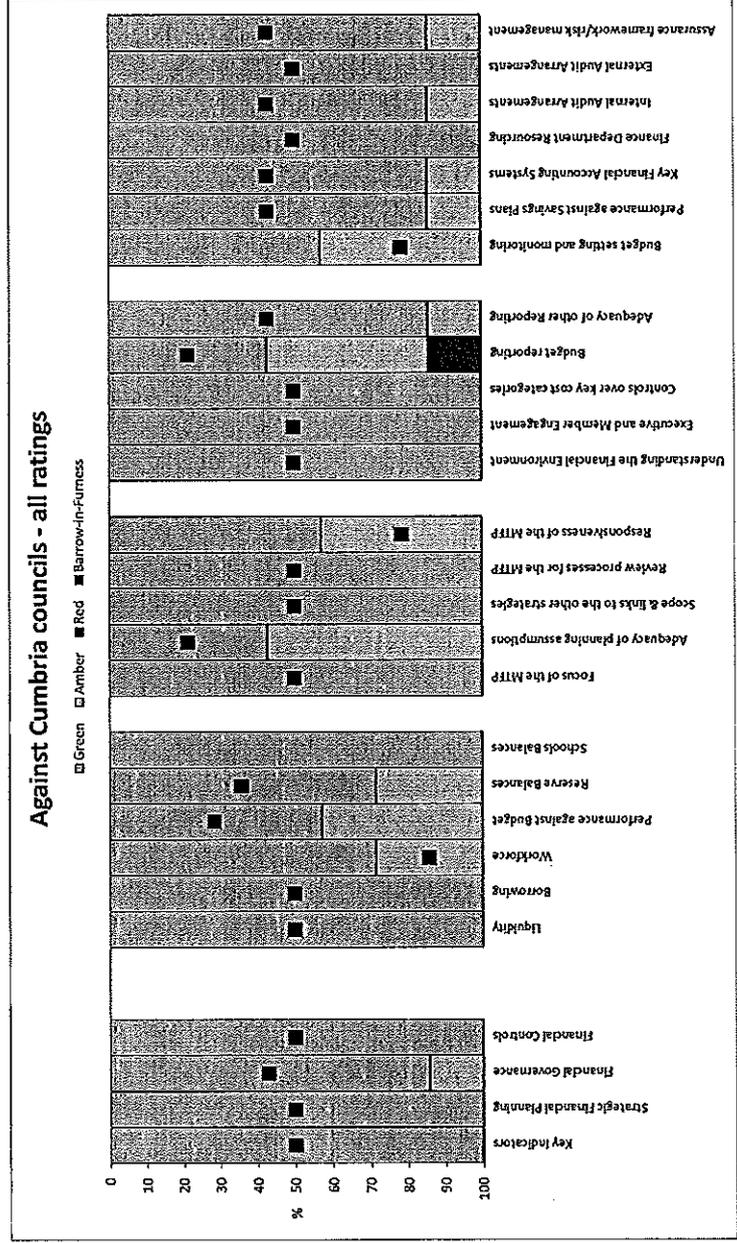
You can draw the following conclusions about this new population:

Across Cumbria performance overall is good – in all categories at least 50% of council's achieved green status;

Adequacy of reporting assumptions and budget reporting were the weakest categories.

You can draw the following conclusions about your performance:

- With the exceptions of *workforce*, *responsiveness of the MTFP* and *budget setting and monitoring*, for which context has already been provided for the amber ratings, the Council performed well across each of the four thematic assessment areas.



How do you compare?

Benchmarking against District Council type only

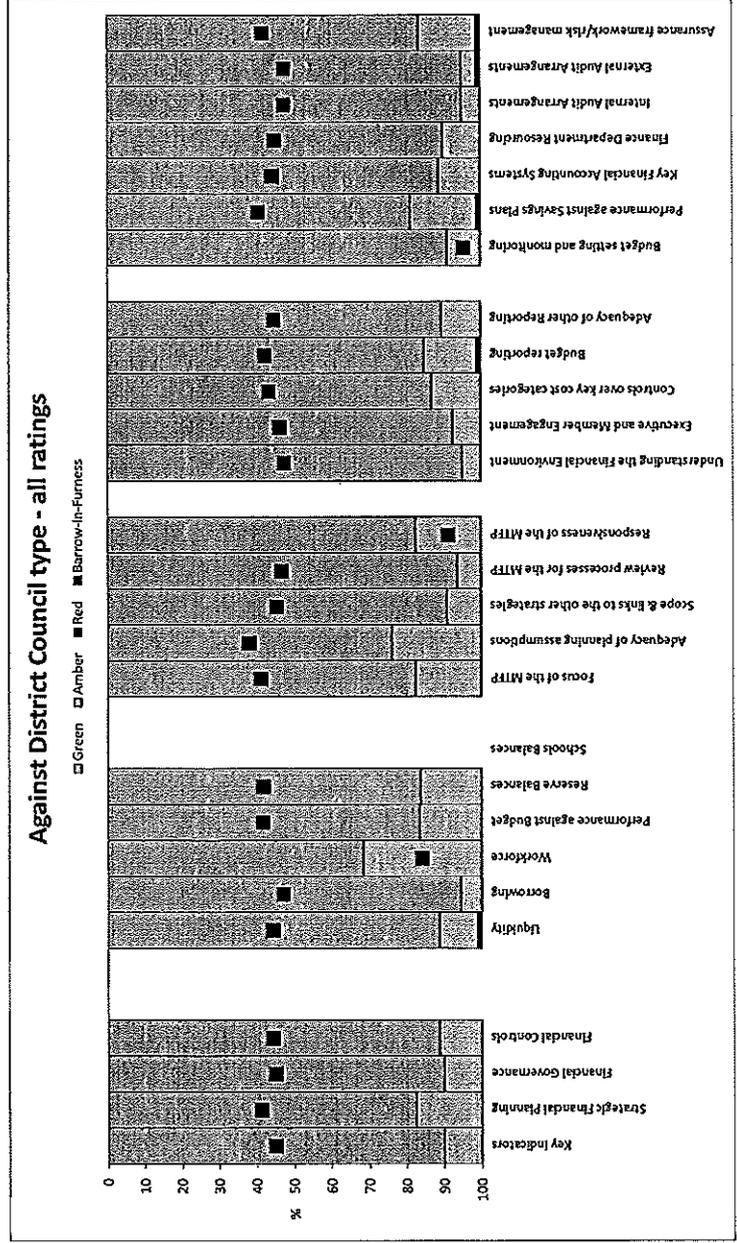
The graph below shows how you perform against the results for our district council clients nationally.

You can draw the following conclusions about this new population:

Most district councils performed well, at least 70% being rated as green across all categories. *Workforce*, closely followed by *adequacy of planning assumptions* were the weakest categories

You can draw the following conclusions about your performance:

- The Council performance again compares favourably against the District Council comparator group..



How do you compare?

Benchmarking comparing the different client types

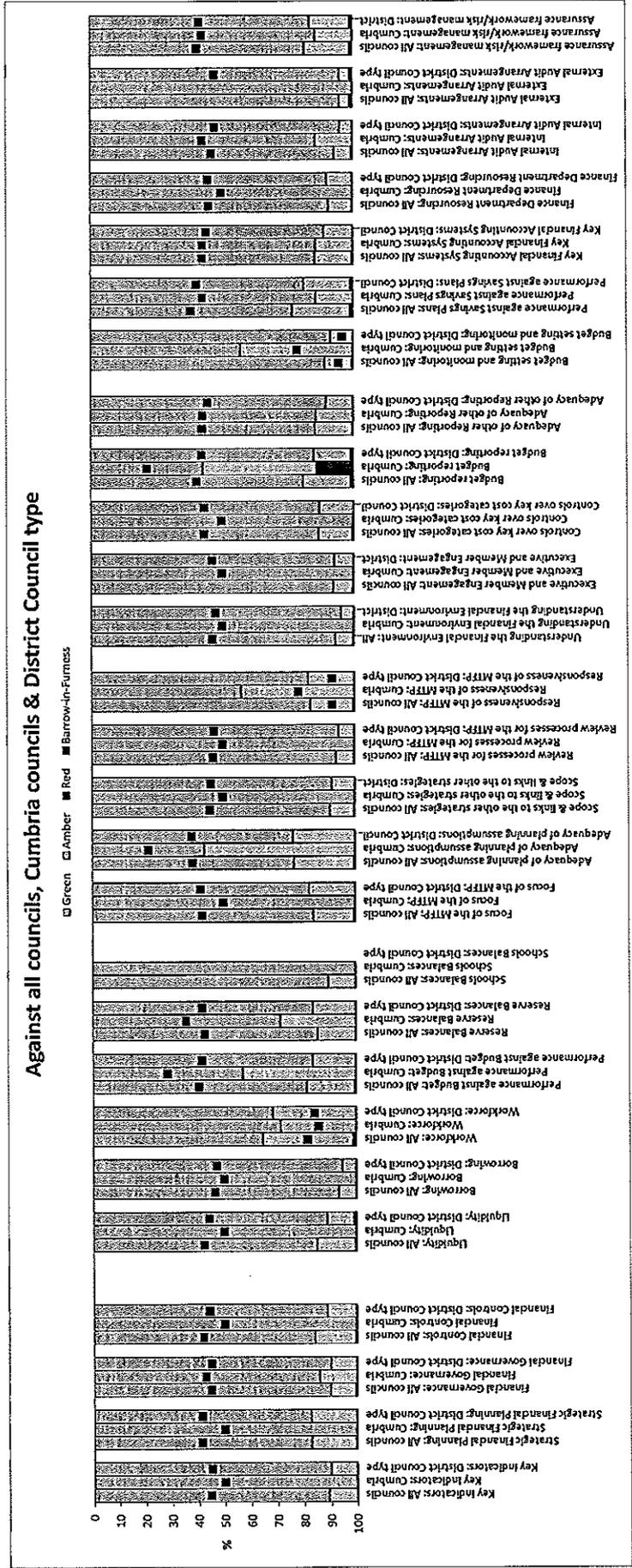
The graph below summarises the previous three slides in a single chart

Overall message

This report needs to be read in the context that our financial resilience reviews fell in the second year of the four-year SR10 period, where some of the potential risks and challenges over the medium term may have yet to materialise for the Council and the wider sector.

Our 2012/13 Financial Resilience review determined that the Council was well positioned to face the challenges that lay ahead, and in comparison with various peer groups.

However, the Council will in common with the greater number of local authorities continue to face significant financial risks and challenges into 2013-14 and beyond.





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| AUDIT COMMITTEE | Part One (D) Agenda Item 15 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: External Audit Committee Update</p> <p>Summary and Conclusions:</p> <p>An Audit Committee Update has been produced by the External Auditors. The External Auditors will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive the External Auditor's report and raise any questions.</p> | |

Report

The External Auditors have produced an Audit Committee Update for Members. The report is attached at **Appendix 12** and will be presented to Members by the External Auditor.

Background Papers

Nil



Audit Committee Update for Barrow in Furness Borough Council

Year ended 31 March 2014

6 March 2014

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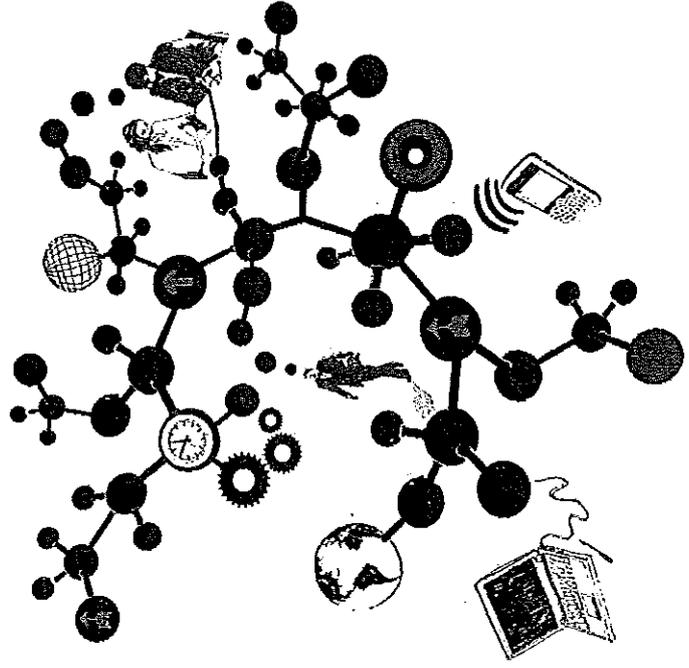
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a district council.
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications – 'Local Government Governance Review 2013', 'Towards a tipping point?', 'The migration of public services', 'The developing internal audit agenda', 'Preparing for the future', 'Surviving the storm: how resilient are local authorities?'

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

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Progress at March 2014

| Work | Planned date | Complete? | Comments |
|--|---------------------------|-----------------------|---|
| <p>2013-14 Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on Barrow in Furness Borough Councils' 2013-14 financial statements.</p> | | March | We will submit and present the 2013-14 accounts audit plan to the Borough Treasurer and the Audit Committee Chair for agreement ahead of it being formally tabled at the next Audit Committee meeting. |
| <p>Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the authority's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. | November to December 2013 | In progress | The outcome of our interim coverage will inform the nature and scope of our opinion audit coverage on the authority's financial statements. |
| <p>2013-14 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the authority's accounts • proposed Value for Money conclusion. | June – September 2014 | June – September 2014 | We will discuss and agree the timing of our audit coverage, working papers and key finance staff availability to ensure the audit is conducted and concluded in a timely, efficient and effective manner. |

Progress at March 2014

| Work | Planned date | Complete? | Comments |
|---|----------------------------------|-----------------------|--|
| <p>Value for Money (VfM) conclusion The scope of our work to inform the 2013/14 VfM conclusion comprises a review of relevant documentation and discussion with key contacts to assess the Council's arrangements against the Audit Commission's VfM criteria</p> | <p>January to September 2014</p> | <p>September 2014</p> | <p>We will have substantially completed our VfM audit conclusion work before we commence our opinion audit coverage. We will reach our final VfM conclusion in September having considered, amongst other things, the potential impact of any issues arising from our final accounts audit.</p> |

Councils must continue to adapt to meet the needs of local people

Local government guidance

Audit Commission research - Tough Times 2013

The Audit Commission's latest research, <http://www.audit-commission.gov.uk/wp-content/uploads/2013/11/Tough-Times-2013-Councils-Responses-to-Financial-Challenges-w1.pdf> shows that England's councils have demonstrated a high degree of financial resilience over the last three years, despite a 20 per cent reduction in funding from government and a number of other financial challenges. However, with uncertainty ahead, the Commission says that councils must carry on adapting in order to fulfil their statutory duties and meet the needs of local people.

The Audit Commission Chairman, Jeremy Newman said that with continuing financial challenges 'Councils must share what they have learnt from making savings and keep looking for new ways to deliver public services that rely less on funding from central government'.

Key findings:

The Audit Commission's research found that:

- the three strategies most widely adopted by councils have been reducing staff numbers, securing service delivery efficiencies and reducing or restructuring the senior management team;
- three in ten councils exhibited some form of financial stress in 2012/13 – exhibited by a mix of difficulties in delivering budgets and taking unplanned actions to keep finances on track;
- auditors expressed concerns about the medium term prospects of one third of councils (36 per cent)

Issues to consider:

How have members satisfied themselves that the Council can deliver a balanced budget, that the medium term strategy/budget has been subject to appropriate challenge and that the Council's finances are resilient over the medium term (3 years) and beyond?

Councils choosing their auditors one step closer

Local government guidance

Local Audit and Accountability Act

The Local Audit and Accountability Act received Royal Assent on 30 January 2014.

Key points

Amongst other things:

- the Act makes provision for the closure of the Audit Commission on 31 March 2015;
- arrangements are being worked through to transfer residual Audit Commission responsibilities to new organisations;
- there will be a new framework for local public audit due to start when the Commission's current contracts with audit suppliers end in 2016/17, or potentially 2019/20 if all the contracts are extended;
- the National Audit Office will be responsible for the codes of audit practice and guidance, which set out the way in which auditors are to carry out their functions;
- Local Authority's will take responsibilities for choosing their own external auditors;
- recognised supervisory bodies (accountancy professional bodies) will register audit firms and auditors and will be required to have rules and practices in place that cover the eligibility of firms to be appointed as local auditors;
- Local Authority's will be required to establish an auditor panel which must advise the authority on the maintenance of an independent relationship with the local auditor appointed to audit its accounts;
- existing rights around inspection of documents, the right to make an objection at audit and for declaring an item of account unlawful are in line with current arrangements;
- transparency measures give citizens the right to film and tweet from any local government body meeting.

Issue to consider:

- Have members considered the implications of the Local Audit and Accountability Act for the Council's future external audit arrangements?

Austerity continued – further cuts in spending powers

Local Government Guidance

Final local government finance settlement 2014/15

On 5 February 2014 the government published the final local government finance settlement for 2014/15. This confirmed the proposals laid out in the provisional finance settlement. The government has proposed that any council tax increases made by billing or precepting authorities of 2 per cent or more will be subject to a referendum. This proposal needs to be accepted by Parliament.

Excluding the Greater London Authority, the spending power for local authorities in England will fall by 2.9% in 2014/15 compared to 2013/14. As in previous years, councils will have their funding reduction capped at 6.9%. Indicative funding levels for 2015/16 have also been provided to assist local authorities with their medium term financial planning. The settlement will be finalised in February 2014.

Issue to consider:

- Has your Borough Council reviewed the proposed settlement and assessed the impact on your Council?

Helping the High Street

Local government guidance

Support for UK high streets

On December 6, 2013 the Communities Secretary set out a £1 billion package of support for UK high streets, the stated objectives being to:

- support business and the private sector to have a greater stake in their high streets;
- make it easier to diversify town centres;
- ensure town centres remain accessible to visitors;
- promote the use of technology to modernise town centres.

Key elements of the strategy include:

- a £1,000 discount in 2014/15 and 2015/16 for retail premises with a rateable value of up to £50,000 – including shops, pubs, café and restaurants;
- capping the Retail Price Index (RPI) increase in bills to 2% in 2014/15;
- extending the doubling of Small Business Rates relief to April 2015;
- a reoccupation relief for 18 months with a 50% discount for new occupants of retail premises empty for a year or more;
- assisting business cash flow by allowing businesses to pay their bills over 12 months (rather than 10)

Issues to consider:

- Has the Council assessed the local economic impact of the measures announced by the Communities Secretary?
- Has the Borough Treasurer assessed the impact of the measures on the Council's finances and the 2014/15 and 2015/16 budgets?

Councils keep New Homes Bonus

Local government guidance

Help for housing building

In the Autumn statement (5 December 2013) the government announced plans to secure a £1 billion 6 year investment in house building, to simplify the local authority planning process and help to achieve the stated objective of delivering 250,000 new homes.

Key objectives:

- nationally to increase the housing supply in England through a £1 billion 6 year investment programme;
- at a local level helping councils to increase the supply of affordable social housing supply in their area by allowing them to bid for up to £300 million of additional borrowing against their housing revenue account;
- improving labour market mobility by introducing a Right to Move for those needing to move to take up a job or training ;
- Allowing councils outside London to keep all of their **New Homes Bonus** and have full control over how they use it to support new homes in their area – the New Homes Bonus is a grant paid by central government to local councils for increasing the number of homes and their use, is paid each year for 6 years and is based on the amount of extra Council Tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use

Issue to consider:

- Has your Borough Treasurer assessed the implications and potential financial impact for the Council of the help for housing building measures announced in the Autumn statement?

79% of Councils anticipate Tipping Point soon

Grant Thornton

2016 tipping point? Challenging the current

This report http://www.grant-thornton.co.uk/Global/Publication_pdf/LG-Financial-Resilience-2016-tipping-point.pdf is the third in an annual series which assesses whether English local authorities have the arrangements in place to ensure their sustainable financial future.

Local authorities have so far met the challenges of public sector budget reductions. However, some authorities are predicting reaching tipping point, when the pressure becomes acute and financial failure is a real risk. Based on our review of forty per cent of the sector, this report shows that seventy nine per cent of local authorities anticipate some form of tipping point in 2015/16 or 2016/17.

Our report rates local authorities in four areas - key indicators of financial performance, strategic financial planning, financial governance and financial control. It also identifies a series of potential 'tipping point scenarios' such as local authorities no longer being able to meet statutory responsibilities to deliver a range of services.

Our report also suggest some of the key priorities for local authorities in responding to the challenge of remaining financially sustainable. This includes a relentless focus on generating additional sources of revenue income, and improving efficiency through shared services, strategic partnerships and wider re-organisation.

Issues to consider:

- Our report includes a good practice checklist designed to provide senior management and members with an overview of key tipping point risks. Has the Borough Treasurer completed the checklist and reported it to the Audit Committee?
- The report also includes good practice case studies in strategic financial planning, financial governance and financial control. Has the Borough Treasurer reviewed these case studies and considered whether there is scope to adopt these?

Alternative Delivery Models – are you making the most of them?

Grant Thornton

Alternative delivery models in local government

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Responding-to-the-challenge-alternative-delivery-models-in-local-government/> discusses the main alternative delivery models available to local government. These are based on our recent client survey and work with local government clients. It aims to assist others as they develop their options and implement innovation strategies.

Local government has increased the variety and number of alternative delivery models it uses in recent years including contracts and partnerships with other public bodies and private sector organisations, as well as developing new public sector and non-public sector entities. With financial austerity set to continue, it is important that local authorities continue innovating, if they are to remain financially resilient and commission better quality services at reduced cost.

This report is based on a brief client survey and work with local authority clients and:

- Outlines the main alternative delivery models available to local authorities
- Aims to assist other authorities as they develop their options and implement innovation strategies
- Considers aspects of risk.

Issues to consider:

- Our report includes a number of case studies summarising how public services are being delivered through alternative service models. Has the Authority reviewed these case studies and assessed whether there are similar opportunities available to it?
- Our report includes three short checklists on supporting innovation in service delivery, setting up a company and questions that members should ask officers when considering the development of a new delivery model. Are the checklists being considered as part of the development of the Authority's commissioning strategy?

Welfare reforms – what you think of it so far?

Grant Thornton

Reaping the benefits: first impressions of the impact of welfare reform [published 18th February]

The potential scope of this topic is broad, so our report <http://www.grant-thornton.co.uk/en/Publications/2014/Reaping-the-benefit-First-impressions-of-the-impact-of-welfare-reform/>, focuses on the financial and managerial aspects of welfare reform. This involves:

- Understanding the challenges currently facing local government and housing associations in regard to welfare reform and what organisations have been doing to meet this challenge in terms of strategy, projects and new processes.
- Reporting on the early indications of effectiveness following the implementation of these measures and the impact of reform.
- Providing early insight into challenges facing these organisations in the near future.

We have pulled together information from a variety of sources, including our regular conversations across the local government and housing sectors and surveying local authorities and housing associations in England.

We found that:

- In general, organisations have been very active in engaging with stakeholders and putting in place appropriate governance arrangements and systems to implement specific reforms. A minority of organisations did not fully exploit all the options open to them in preparing for reform.
- So far, the indication is that the impact of reform experienced by local authorities and partners has been managed effectively. This may be because the full impact has not yet been felt. Some worrying signs are emerging, including rising rental arrears, homelessness and reliance on food banks, which may be linked to the reforms.
- Looking ahead, further reforms, such as the implementation of universal credit and the move to direct payments present significant uncertainties and challenges over the next few years.

Issues to consider

- Has the Head of Benefits kept members informed of progress with stakeholder engagement and changes to governance arrangements to implement specific reforms?
- What impact assessment is the Authority carrying out on council tax localisation, the benefit cap and housing benefit, the spare room subsidy and changes to the Social Fund?
- Does the Authority have a plan in place or in development for the introduction of universal credit?

Revaluing your assets – clarification of accounting guidance

Accounting and audit issues

Property, plant and equipment valuations

The 2013/14 Code has clarified the requirements for valuing property, plant and equipment and now states explicitly that revaluations must be 'sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period.' This means that a local authority will need to satisfy itself that the value of assets in its balance sheet is not materially different from the amount that would be given by a full valuation carried out on 31 March 2014. This is likely to be a complex analysis which might include consideration of:

- the condition of the authority's property portfolio at 31 March 2014
- the results of recent revaluations and what this might mean for the valuation of property that has not been recently valued
- general information on market prices and building costs
- the consideration of materiality in its widest sense - whether an issue would influence the view of a reader of the accounts.

The Code also follows the wording in IAS 16 more closely in the requirements for valuing classes of assets:

- items within a class of property, plant and equipment are to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates
- a class of assets may be revalued on a rolling basis provided revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date.

There has been much debate on what is a short period and whether assets that have been defined as classes for valuation purposes should also be disclosed separately in the financial statements. These considerations are secondary to the requirement that the carrying value does not differ materially from the fair value. However, we would expect auditors to report to those charged with governance where, for a material asset class:

- all assets within the class are not all valued in the same year
- the class of asset is not disclosed separately in the property, plant and equipment note.

Issue to consider

Has your Borough Treasurer consulted you on the programme of valuations and the proposals for disclosing information about classes of assets?

Estimating the impact of business rate appeals

Accounting and audit issues

Business rate appeals provisions

Local authorities are liable for successful appeals against business rates. They should, therefore, recognise a provision for their best estimate of the amount that businesses have been overcharged up to 31 March 2014.

However, there are practical difficulties which mean that making a reliable estimate for the total amount that has been overcharged is challenging:

- the appeals process is managed by the Valuation Office Agency (VOA) and so local authorities are reliant on the information provided to them by the VOA
- some businesses may have been overcharged but not yet made an appeal.

We would expect local authorities:

- to work with the VOA to make sure that they have access to the information they need
- where appeals have been made, to determine a methodology for estimating a provision and to apply this methodology consistently
- where appeals have not been made:
 - to consider the extent to which a reliable estimate can be made (for example, in relation to major businesses)
 - to recognise a provision where a reliable estimate can be made
 - to disclose a contingent liability where a reliable estimate cannot be made
 - to provide a rationale to support their judgement that a reliable estimate cannot be made
- to revisit the estimate with the latest information available immediately before the audit opinion is issued.

Issues to consider:

- Is your authority confident of obtaining the information it needs from the VOA?
- Has your authority recognised a provision where it is possible to make a reliable estimate? Has a robust methodology been used?
- Has your authority provided a robust rationale where it has decided it cannot make a reliable estimate? Is it planning to disclose a contingent liability?
- Is your authority planning to revisit its provision and contingent liability before the audit opinion is issued?

Accounting for pensions

Accounting and audit issues

Accounting for and financing the local government pension scheme costs

Accounting issues

The 2013/14 Code follows amendments to IAS 19 and changes the accounting requirements for defined benefit pension liabilities such as those arising from the local government pension scheme (LGPS). This is a change in accounting policy and will apply retrospectively.

The main changes we expect to see are:

- a reallocation of amounts charged in the comprehensive income and expenditure statement (CIES)
- more detailed disclosures.

We do not expect changes to balance sheet items (the net pension liability and pension reserve balance). This means that whilst we would expect the CIES to be restated, a third balance sheet is not required. Actuaries should be providing local authorities with the information they need to prepare the financial statements, including restated comparatives.

Financing issues

The amount to be charged to the general fund in a financial year is the amount that is payable for that financial year as set out in the actuary's rates and adjustments certificate. Some local authorities are considering paying pension fund contributions early in exchange for a discount but not charging the general fund until later.

Local authorities must be satisfied that the amounts charged to the general fund in a financial year are the amounts payable for that year.

Where local authorities are considering making early payments, we would expect them to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund. We would expect this to include consideration of:

- the actuary's opinion on the amounts that are payable by the local authority into the pension fund
- the agreement between the actuary and the local authority as to when these payments are to be made
- the wording in the rates and adjustments certificate setting out when amounts are payable for each financial year.

For example, if a local authority agrees to make a payment to the pension fund in a single year and proposes to charge this amount to the general fund over a three-year period, we would expect the rates and adjustments certificate to show, unambiguously, that the amount payable is spread over the three years.

Accounting for pensions

Accounting and audit issues

Issues to consider:

- Is your local authority confident of getting the information from its actuary to meet the changes in the requirements for accounting for the LGPS (including restating the comparatives)?
- If your authority is considering making an early payment to the pension fund, has it set out a reasonable argument for how it proposes to charge this amount to the general fund? Is this supported by legal advice?

Changes to the public services pension scheme

Accounting and audit issues

Changes to the Local Government Pension Scheme

The Public Service Pensions Bill received Royal Assent in April 2013, becoming the Public Service Pensions Act 2013 ('the Act'). The Act makes provision for new public service pension schemes to be established in England, Wales & Scotland. Consequent regulations have been laid to introduce changes to the LGPS in England and Wales from 1st April 2014. (The regulations for the changes in Scotland have not yet been laid and will only impact from 1 April 2015).

These introduce a number of changes including:

- a change from a final salary scheme to a career average scheme
- introduction of a 50/50 option whereby members can choose to reduce their contributions by 50% to receive 50% less benefit
- calculation of contributions based on actual salary which could lead to some staff with irregular patterns of working moving between contribution rate bandings on a regular basis
- changes in employee contribution rates and bandings
- transitional protection for people retiring within 10 years of 1 April 2014 (further regulations are still awaited).

The above changes have implications for all employers involved in the LGPS introducing required changes to their payroll systems to ensure pension contributions are calculated correctly. This has consequent implications for administering authorities to communicate with employers and consider how they will obtain assurance over the accuracy and completeness of contributions going forwards since the calculations are more complex going forwards and less predictable. In addition changes are also required to pension administration/payment systems as well as much more detailed processes around maintaining individual pension accounts for all members to ensure the correct payment of future pensions.

The Act also requires changes to the governance arrangements although regulations for the LGPS have not yet been laid for these and the changes in governance arrangements are not expected to be implemented until 1 April 2015.

(continued overleaf)

Changes to the public services pension scheme

Accounting and audit issues

Changes to Local Government Pension Scheme continued

Issues to consider:

- Is the authority aware of the detailed requirements and their impact on its current payroll system and processes?
- Is the authority taking appropriate action to ensure implementation of the required changes to its payroll system and processes by 1 April 2014?
- Has the authority liaised with the administering authority over any changes they may need in the assurances provided over the completeness and accuracy of contributions?



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| AUDIT COMMITTEE | Part One (D) Agenda Item 16 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: External Audit Plan for the Year Ended 31st March, 2014</p> <p>Summary and Conclusions:</p> <p>This report asks for delegation of the acceptance of the External Audit Plan for the year ended 31st March, 2014, to the Borough Treasurer and the Audit Committee Chairman.</p> <p>Recommendations:</p> <p>Members are recommended to agree that the External Audit Plan for the year ended 31st March, 2014, be accepted by the Borough Treasurer and the Audit Committee Chairman. The External Audit Plan will be reported to the next Committee meeting.</p> | |

Report

The External Audit Plan for the year ended 31st March, 2014 is currently being prepared and requires the results of interim accounts work before it can be finalised. Given that the next meeting of this Committee is in June 2014, it is requested that acceptance of the External Audit Plan for the year ended 31st March, 2014, be delegated to the Borough Treasurer and the Audit Committee Chairman. Once accepted, the External Audit Plan will be circulated to Audit Committee Members and reported to the next committee meeting.

Background Papers

Nil

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| AUDIT COMMITTEE | Part One (D) Agenda Item 17 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: Financial Regulations and Contract Standing Orders</p> <p>Summary and Conclusions:</p> <p>The Council's Financial Regulations and Contract Standing Orders have been reviewed to ensure that they remain relevant, current and reflect best practice.</p> <p>Recommendations:</p> <p>Members are recommended to approve the amendments to the Financial Regulations (Appendix 13) and the Contract Standing Orders (Appendix 14).</p> | |

Report

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

The 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.

The amendments to the Financial Regulations are:

- Borough Treasurer changed to Director of Resources.
- Deputy Executive Director changed to Director of Resources or removed.
- Chief Accountants changed to Accountancy Services Manager and Financial Services Manager.
- Sustainable Community Strategy and key priorities changed to Council Priorities.
- Personnel changed to HR.
- Virement limit introduced for Accountancy Services Manager and Financial Services Manager.
- Section 7, 4.b, amended to better reflect matching supplements where additional income or grant is matched by expenditure.
- Section 8, 1.b, amended to include the use of Contract Standing Orders below £100,000.
- Section 8, 4.d, amended to include Accountancy Services Manager and Financial Services Manager.

- Section 11, paragraph 8, item deleted as NNDR is now localised and this referred to the National Pool.
- Section 13, 4, amended to include Accountancy Services Manager and Financial Services Manager.
- Section 14, paragraph 5 all deleted as this is covered in the Information Security Policy.
- Section 19, 9, amended to include the Leader of the Council, other Members and External Auditors.

The amendments to the Contract Standing Orders are:

- Deputy/Chief Officer amended to Responsible Contract Manager.
- As appropriate amended the reference to appropriate Chief Officer to Capital Programme Group or Management Board.
- Section 1 amended to include the use of Contract Standing Orders below £100,000.
- Section 1 amended as the EU thresholds were reset on 1st January, 2014.
- Section 2 added to set out the Council's minimum contract award process.
- Section 4 amended to include the requirements of a framework agreement – pre-vetted contractors.
- Section 5 amended to include the time of the tender submission.
- Section 6 amended to include the retention of tender packaging, recording electronic tender opening in the Council's tender opening register and that tenders should normally be opened by Council officers with the appropriate Member presence.
- Section 13 renamed 'Project Review Report' and amended to clarify post implementation reporting requirements.
- Section 14 renamed 'Contract Clauses' and amended to include the requirement for Data Sharing Agreements.
- Section 14 amended to remove reference to the 2.5% final account.

The Financial Regulations and Contract Standing Orders are formally endorsed by the Council as a key part of the Council's Constitution.

Background Papers

Nil

Financial Regulations

Reviewed February 2014

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 Director of Resources (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 Director of Resources.

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 Director of Resources and in their absence the Accountancy Services Manager and the Financial Services Manager take on these delegations unless otherwise stated. Financial Regulations form part of the Council's approach to corporate governance and provide a control framework through which the Director of Resources 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 and Director of Resources. References to the Director of Resources 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 Director of Resources. The Director of Resources 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 Director of Resources 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 Director of Resources will maintain a continuous review of the Financial Regulations and submit any necessary additions or changes for approval by the Audit Committee. The Director of Resources 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 Director of Resources 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 Director of Resources 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 Director of Resources 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 Director of Resources 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 Director of Resources
 - b. contracts are duly signed on behalf of the Council and the Council Seal is applied where applicable
 - c. the approval of the Director of Resources is sought on any matter liable to affect the Council's finances materially, before any commitments are incurred
6. The Director of Resources 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 Director of Resources 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 Director of Resources.
 - f. controls that are no longer necessary, or no longer cost or risk effective, are removed
8. The Director of Resources 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 Director of Resources is responsible for:
 - a. selecting and applying appropriate accounting policies
 - b. determining accounting procedures and policies

2. The Director of Resources 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 Director of Resources 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 Budgets

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 Director of Resources 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 Director of Resources estimates in accordance with the budget guidelines and within agreed time scales
 - b. ensure that the estimates are prepared having regard to the Council Priorities and other corporate aims and objectives
 - c. for each cost centre, supply to the Director of Resources an estimated profile of the rate of expenditure or income across the budget year
 - d. provide any information the Director of Resources may require
3. The Director of Resources 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 Director of Resources. 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 budgets (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 Director of Resources is responsible for preparing annually a Capital Strategy and submitting this with the revenue budget to the Executive Committee for approval.
2. The Director of Resources 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 Director of Resources 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 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 Director of Resources prior to submission to the Executive Committee
 - d. provide any other information the Director of Resources 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 Director of Resources 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 Director of Resources 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 Director of Resources 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 Director of Resources' 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 Director of Resources will be notified immediately of any authorised signatories who leave the Council's employment or cease to be authorised to sign. The Director of Resources 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 Director of Resources.
6. The Director of Resources 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 Director of Resources is responsible:

- a. for the overall financial control of the revenue budgets 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 budgets 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 Director of Resources may require

3. Variances from budget

The Director of Resources 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. Up to £25,000 by the Accountancy Services Manager and the Financial Services Manager
 - ii. Over £25,000 by the Director of Resources and 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 Director of Resources after appropriate consultation with the Executive Director. The Director of Resources 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 Director of Resources 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 Director of Resources, 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 Additional 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, partners or new/additional external funding is drawn into the Council, 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.

Where the impact is a net zero, the Director of Resources, Accountancy Services Manager and Financial Services Manager are 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 Director of Resources 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 Director of Resources 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 Director of Resources 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 Director of Resources 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 Contract Standing Orders and its Purchasing Rules.

For procurement, the adopted principle is that the Council aims to deliver value for money when procuring goods and services. 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 Contract 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 may follow the Contract Standing Orders, or 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 Director of Resources.

2. Other contract terms

Heads of Service will:

- a. in consultation with the Director of Resources 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 Director of Resources 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 Director of Resources and will, where possible, quote the Council's official purchase order number.
- c. The Director of Resources 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 Director of Resources 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 Director of Resources, Accountancy Services Manager or Financial Services Manager.
- e. Proforma invoices will only be used for the purposes approved by the Director of Resources.
- f. Minor items of expenditure, up to a limit set by the Director of Resources, may be paid under petty cash procedures determined by the Director of Resources.

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 Team Leader and for financial systems or those that interact with such systems, with the additional approval of the Director of Resources.

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 Director of Resources
 - 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 Director of Resources
 - c. have regard to the Contract Standing Orders and other requirements of the Director of Resources.

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 Director of Resources 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 Director of Resources.
- 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 Director of Resources.

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 Director of Resources.
- c. Acknowledgement for money received must only be made on official Council receipts or other form authorised by the Director of Resources 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 Director of Resources.

5 Banking of income

Heads of Service will make arrangements with the Director of Resources 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 Director of Resources.
- b. Where an individual debtor owes the Council no more than £25,000, the Director of Resources 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 above £25,000 is necessary, for example at year end, to enable the completion of the final accounts within the statutory timescale. In such cases the Director of Resources 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 Director of Resources 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 Director of Resources, 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 Director of Resources is responsible for the determination of all arrangements for the collection, recording, payment and recovery of VAT.
2. The Director of Resources 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 Director of Resources
 - b. consult the Director of Resources 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 Director of Resources 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 Director of Resources 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 Director of Resources.

2. Authorisation of signatories

Only officers personally mandated by the Director of Resources 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 Director of Resources may exclude from this regulation such payments as the Director of Resources 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 Director of Resources, Accountancy Services Manager and Financial Services Manager for use only in exceptional cases.

5. Banking of income

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

6. Reconciliation

The Director of Resources 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 Director of Resources is responsible, in consultation with other Heads of Service, for the compilation and maintenance of the Council's official accounting 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 Director or Resources
- b. comply with the financial and accounting requirements of the Director of Resources

3. Inventories

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

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.

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 Director of Resources, Heads of Service will maintain adequate records of all issues and other movements of stocks
- b. Heads of Service will provide to the Director of Resources 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 Director of Resources, 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 Director of Resources.

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 Director of Resources.

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 Director of Resources, Heads of Service will maintain adequate records of all petty cash reimbursements and float replenishments.
- b. In consultation with the Director of Resources, 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 Director of Resources 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 Director of Resources' 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 Director of Resources is responsible for:
 - a. effecting all insurance cover on a corporate basis, through external insurance or through internal self-insurance arrangements as the Director of Resources considers appropriate
 - b. negotiating all claims in consultation with relevant Heads of Service where necessary.

2. Heads of Service will notify the Director of Resources 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 Director of Resources.

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 Director of Resources.

5. Heads of Service will consult the Director of Resources on the terms of any indemnity that the Council is requested to give.

6. Heads of Service will consult the Director of Resources 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 Director of Resources 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 Director of Resources 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, the Institute of Internal Auditors and the Public Sector International Auditing Standards.

1. The Director of Resources 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 Director of Resources 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 Director of Resources 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 contracts awarded under the Council's Contract Standing Orders and any other contracts requested, are referred to Internal Audit for the proper check to be performed. This may be as a stage review of the Contract Management Checklist, as soon as the final account is agreed and before any retention is paid, or for a standalone review.
5. Heads of Service, Senior Managers and other staff will immediately notify the Internal Audit service on behalf of the Director of Resources upon discovery or suspicion of any financial irregularity, whether affecting cash, stocks, property, financial records or otherwise. The Director of Resources 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, to the Chairman of the Audit Committee, the Leader of the Council and the External Auditor.

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 HR 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 support 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 Director of Resources (unless the Director of Resources 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 External Auditor, 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 Director of Resources 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 Auditors are appointed by the Audit Commission, an independent agency of Government. The External Auditors 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 External Auditors 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 Director of Resources be given the opportunity to evaluate the costs of any potential agreement before it is legally binding.

1. General

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

2. Treasury Management

The Director of Resources 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 Director of Resources. 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 Director of Resources. The Director of Resources 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 Director of Resources 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 will promptly notify the Director of Resources 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 Director of Resources:

- 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 Director of Resources 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 Director of Resources 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*

Contract Standing Orders

Reviewed February 2014

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, or for contracts of a lower value where tendering is appropriate.

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 2014 (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 15 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 15 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 Responsible Contract Manager 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.

2. Contracting Process

As a minimum, contracts awarded under these standing orders will follow this process; for service contracts the process ends after the second Internal Audit stage review :

- Completion of Capital Appraisal Template which includes costs, benefits, risks and alternatives. For planned housing maintenance, this is the stock condition survey turned into a programme of prioritised delivery.
- Capital bid assessed by Capital Programme Group and successful bid included in the Capital Programme for approval by the Executive Committee. For planned housing maintenance, this is the Housing Management Forum.
- Project works element specified and estimated for tendering – this is documented by the Responsible Contract Manager.
- Contractor's expressions of interest are sought against the specification, using appropriate method of tender. The Council's contract clauses (Section 14) must be included at this stage.
- Contractors vetted and appraised. This may be by a pre-qualification questionnaire and a credit report or through an approved framework arrangement where contractors are pre-vetted.
- Selected, interested contractors invited to tender and provided with the form of tender, the date and time for responding and the evaluation criteria.
- Returned tenders entered into the Tender Opening Register, or time and date "stamped" on the electronic systems.
- Late or invalid tenders are returned.
- Valid tenders are formally evaluated.
- The tender evaluation and pricing is reported to the Executive Committee for decision.
- **Internal Audit stage review.**
- Successful contractor notified and unsuccessful contractors notified together with anonymised tender evaluation results.
- Contract signed and sealed.
- **Internal Audit stage review.**
- Once the contract commences, the appropriate contract documentation must be used, including where appropriate payment certificates, variations, extensions of time and completion certificates.
- Contract 50% complete in terms of cost - **Internal Audit stage review.**
- At practical completion, a Project Review Report is completed as set out in paragraph 13.
- Final account presented – **Internal Audit final stage review.**
- Final account paid.

3. Options Appraisal

Any purchase or project must be subject to the principles of options appraisal and it is expected that the Responsible Contract Manager 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 Management Board.

Appraisals must be approved by Capital Programme Group 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.

4. Selection of Tenderers

Selecting tenderers is the stage in the procurement process when the competent contractors to bid 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.

Where a framework agreement is used, this must be approved by the Executive Committee. The selection process for contractors or suppliers must be equivalent to or higher than the evaluation that the Council would usually perform. The Responsible Contract Manager should ensure that the selection and vetting process is fully documented and is as robust and challenging as the Council's own procedures to ensure that any risk to the Council is minimised through the framework.

5. 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 time for the submission of tenders;
- any details relevant to the tender submission;
- 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.

6. 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 an approved electronic 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.

Where tenders are not submitted through an electronic system, the envelopes or other packaging must be retained to identify the date and time of the tender being received.

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 Responsible Contract Manager 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.

Tenders opened electronically shall be recorded in the tender opening register for completeness where these are opened by Council officers and Members.

Council tenders should not normally be opened by any other party without prior permission of the Executive Director or the Director of Resources.

7. 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.

8. 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.

9. Acceptance of Tenders

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

Any Responsible Contract Manager 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.

10. 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.

11. Letting of Contracts

Contracts over £100,000 may only be awarded by the Executive Committee; these provisions exclude the specific exceptions in paragraph 15 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.

12. 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.

13. Project Review Report

The Project Review Report requirements are:

- All those projects which have received an appraisal and were delivered within the expected expenditure as budgeted, shall be reported to the Capital Programme Group and summarised in the Capital Programme report to the Executive Committee.
- Contracts where the total expected expenditure exceeds the approved total costs by the lesser of 10% or £100,000 will be reported to the Capital Programme Group and the reasons for the overspend will be set out separately in the Capital Programme report to the Executive Committee.
- Management Board Officers may require a review of any other project not covered above.

The review should be carried out once the project reaches practical completion.

14. Contract Clauses

All contracts awarded under these Orders must be made in writing, signed by both parties, retained by Legal Services, or electronically where authorisation can be recorded, 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 any contracts involving the use/sharing of personal data the Council's Data Sharing Agreement must be completed and will form part of the contract.

For works contracts there must be a further clause:

- The Final Account, or final payment, will be withheld by the Council until clearance by Internal Audit.

Additionally, where appropriate contracts must include terms for liquidated damages to be paid by the contractor in case of a default.

15. Exceptions to the Contract Standing Orders

Nothing in these Contract Standing Orders shall require tenders to be invited if:

- the Executive Director and Director of Resources 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.

16. Sealing of Documents

All contracts awarded under these Contract Standing Orders require sealing as confirmation of approval by the Executive Committee.

17. 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.

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| AUDIT COMMITTEE | Part One (D) Agenda Item 18 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: Anti-Fraud Policies</p> <p>Summary and Conclusions:</p> <p>The Council's Anti-Fraud and Corruption Policy and Whistle Blowing Policy have been reviewed to ensure that they remain relevant, current and reflect best practice.</p> <p>Recommendations:</p> <p>Members are recommended to approve the amendments and note the review.</p> | |

Report

The Anti-Fraud and Corruption Policy sets out the Council's Commitment to the prevention and detection of fraud and corruption. It outlines the responsibilities of staff, Members and management and sets out the procedures to be followed where suspicion of financial or other irregularity is raised.

The Whistle Blowing Policy applies to all staff, Members and those contractors working for the Council on our premises. The Policy sets out the Council's expectation that serious concerns are raised.

The reporting of Fraud Hotline usage to the Audit Committee has been added to the Whistle Blowing Policy (**Appendix 15**).

The amendments to the Anti-Fraud and Corruption Policy (**Appendix 16**) are:

- Personnel changed to HR (Human Resources).
- Deputy Executive Director changed to HR Manager (for staff related issues) or removed.
- Borough Treasurer changed to Director of Resources.
- External Auditor, Grant Thornton added.
- Reporting of Fraud Hotline usage to Audit Committee added.

The Anti-Fraud and Corruption Policy is published on the Council's website and the Whistle Blowing Policy on the Council's Intranet. Both policies will be promoted to staff again following this meeting.

Background Papers

Nil



Whistle Blowing Policy

What is Whistle Blowing?

Whistle blowing encourages and enables employees to raise serious concerns **within** the Authority rather than overlooking a problem or 'blowing the whistle' outside. Employees are often the first to realise that there is something seriously wrong with an organisation. However, they may not express their concerns as they feel that speaking up would be disloyal to their colleagues or to the Authority.

Our commitment

Barrow Borough Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees, and others that we deal with, who have serious concerns about any aspect of the Authority's work to come forward and voice those concerns, without fear of reprisal, all applicable and genuine disclosures are protected.

Who does the Policy apply to?

The policy applies to all employees, (including those designated as casual hours, temporary, agency, authorised volunteers or work experience), and those contractors working for the Authority on Authority Premises, for example, staff employed by outsourced functions, agency staff, builders. The policy also applies to Members.

The aims of the Policy

- To encourage you to feel confident in raising concerns and to question and act upon concerns about practice.
- To provide avenues for you to raise concerns in confidence and receive feedback on any action taken.
- To ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied.
- To reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made a disclosure in good faith.



What types of concern are covered?

To qualify for protection under the Public Interest Disclosure Act 1988, the disclosure must relate to one or more of the following occurring or about to occur:

- Conduct which is an offence or a breach of law.
- Failure to comply with a legal obligation.
- Disclosures related to miscarriages of justice.
- Health and safety risks, including risks to the public as well as other employees.
- Damage to the environment.
- The unauthorised use of public funds.
- Possible fraud and corruption.
- Sexual, physical or other abuse of clients.
- Other unethical conduct.
- Actions which are unprofessional, inappropriate or conflict with a general understanding of what is right and wrong.

It should be noted that there is a difference between grievance and protected disclosure – a grievance relates to an employee personally, whereas a disclosure relates to, for example, a criminal offence of another person in the workplace.

Safeguards and victimisation

The Authority recognises that the decision to report a concern can be a difficult one to make. If what you are saying is true, you should have nothing to fear because you will be doing your duty to your employer and those for whom you provide a service. The Authority will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in good faith.



Confidentiality

All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness.

This policy encourages you however to put your name to your concern whenever possible. Please note that:

- Staff must disclose the information in good faith.
- Staff must believe it to be substantially true.
- Staff must **not** act maliciously or make false allegations (this will be viewed as gross misconduct).
- Staff must **not** seek any personal gain.

How to raise a concern

As a first step, you should normally raise concerns with your immediate line manager or their superior. This may depend, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that management is involved you should approach a more senior level of management within your Directorate, it is the Manager's responsibility to ensure the concern is treated seriously, provide in confidence facilities if required, investigated and reported appropriately.

Barrow Borough Council Financial Regulations require that the Director of Resources shall be notified of all financial or accounting irregularities or suspected irregularities. This policy does not supersede that requirement; it does in fact provide the opportunity to raise concerns directly to Internal Audit through the designated number.

To make a confidential call please ring the dedicated Whistle Blowing free phone number 0800 389 2330.

The use of the Fraud Hotline is reported quarterly to the Audit Committee.



Anti-Fraud and Corruption Policy

Introduction

This Policy outlines the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards.

The Authority is determined to prevent its utilisation in activities of theft, fraud, bribery 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 Authority has set up a series of procedures which are summarised in this Policy.

Proactive measures the Authority is involved with include data matching exercises, for example the National Fraud Initiative, the National Anti-Fraud Network and the Audit Commission's publication "Protecting the Public Purse".

Definitions

Theft

Dishonestly appropriating property belonging to another, with the intention of permanently depriving them.

Fraud

The intentional distortion of financial statements or other records by persons internal or external to the Authority, which is carried out to conceal the misappropriation of assets, or otherwise for gain.

Bribery

The offering, promising, or giving of a financial or other advantage, to a person with the intention of bringing about another's improper performance of an activity, or rewarding such improper performance. Bribery can arise where the acceptance of an advantage, in the knowledge that it is offered, promised or given, constitutes an improper performance of an activity.

Corruption

The offering, giving, soliciting or acceptance of an inducement or reward which may influence the actions taken by the Authority, its Members, or officers. This includes using personal relationships to influence actions.



Risk areas

Fraud can happen whenever staff or people outside the Authority complete official documentation and have the opportunity to take financial advantage of the Authority, especially where adequate checking and validation does not occur. Consequently, the following areas are particularly susceptible to theft, fraud, bribery or corruption:

- Claims from contractors and suppliers.
- Travel and expense claims.
- Cash and cheque receipts.
- Petty cash and cash floats.
- Payroll.
- Purchasing and procurement of contracts.
- Delivery of services under contract, where payments are or may be received.
- Stocks and assets, particularly portable or attractive items.
- Investments.
- Benefits.
- The approval of grants.
- Disposal of assets.
- Development or sale of land.
- Inspections.
- The taking of enforcement action.
- Award of consents or licences.
- Money laundering.
- Council tax discounts.



Principles of public life

As part of the Authority's anti-fraud measures and specifically its approach to creating a transparent and open organisational culture; our Members and officers will adhere to the Seven Principles of Public Life. These are:

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial benefits for themselves, their family or friends.

Integrity

Holders of public office should not place themselves under any financial obligation to outside individuals or organisations that might influence them in the performance of their duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.



Role of Staff

The Council require all staff to report any suspicions of theft, fraud, bribery or corruption, to enable a proper investigation into the circumstances to be undertaken. If a member of staff does not feel comfortable speaking to their line manager, they should contact the Director of Resources, Internal Audit or, where it relates to Benefits, the Benefits Investigation Team. Alternatively, if a member of staff is concerned about the behaviour of another member of staff, they may prefer to contact the Monitoring Officer or the HR Manager, who will then involve the Director of Resources, if theft, fraud, bribery or corruption is a possibility. (The Council has also adopted a Whistle Blowing Policy, which staff should be aware of.) Staff can also go directly to the External Auditor, or the Police; however, this should only be the case in exceptional circumstances.

Role of Members

All Council Members are expected to report any instances of improper conduct. In addition any suspicions as quoted for staff responsibility should also be raised. Members are expected to play an important role through leading by example and being seen to support the Authority's Policy.

Role of Managers

Theft and Fraud - Whilst it is impossible to create a 100% fraud-proof system, Managers must ensure that the system they operate includes a reasonable number of effective controls designed to detect and prevent fraud and error. The actions and controls that Managers should consider are as follows:

- Documenting procedures and controls, and training all staff in their use;
- Ensuring all staff are familiar with the Council's Rules, including revisions etc.;
- Carrying out spot checks to ensure compliance with procedures and regulations;
- Ensuring separation of duties between staff (as far as possible) so that no one person is solely responsible for the initiation through to the completion of a transaction, i.e. authorising a transaction, processing the transaction, collecting cash/cheques where appropriate, receiving goods/services and recording the transaction;
- Assigning appropriate levels of delegation, e.g. orders over a certain value to be signed by a restricted number of staff;



- Rotating staff responsibilities, where possible, to avoid one person always having sole charge over a given area;
- Introducing an adequate "internal check" (at its simplest, this involves an independent officer checking the work/calculations/documentation prepared by the initiating officer. "Internal check" may also mean splitting the processing of a transaction between two or more officers; unless there is extensive collusion between staff, this will reduce the opportunity for fraud);
- Ensuring expenditure is authorised prior to expenses being incurred;
- Ensuring expenses/petty cash claims are supported by receipts;
- Minimising cash/cheques/stock holdings (confirming bankings, cash/cheque balances regularly);
- Reviewing budget monitoring statements, be alert to trends, e.g. falling income or increasing travel expenses and follow up variances;
- Ensuring staff take their proper allocation of holidays and that other staff undertake their duties in their absence. (cover arrangements must be robust); and
- Regularly review processes to identify weak links that may be vulnerable to potential fraud.

Declarations

Members and officers make declarations about interests and influences. All Members annually declare their pecuniary 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.

At Council meetings Members formally declare their interest in any matters, which are on the agenda for discussion. Records of these declarations are held by Democratic Services.

Members receiving hospitality or gifts are required to declare the receipt and a register of such declarations is held by Democratic Services.

All staff are required to declare their direct interests and this register is held by HR. Staff receiving hospitality or gifts are required to declare the receipt and



a register of these declarations is held by HR (wherever possible hospitality and gifts should be firmly refused).

Each of the above mentioned records are available for public inspection at any reasonable time.

Scrutiny and Audit Committees

The Authority has an Overview and Scrutiny Committee that covers the whole range of Authority activities and can look at any aspect of a service under their remit.

The political membership of each Committee is proportionate to the political split of the Authority and the Chairman of the Scrutiny Committees is from the major opposition party.

The Authority's Audit Committee is charged with responsibility of Governance for the Authority and its terms of reference are:

Audit Activity

- To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and planned) and the level of assurance it can give over the Council's corporate governance arrangements.
- To consider summaries of specific internal audit reports.
- To consider reports dealing with the management and performance of the internal audit provider.
- To consider reports from internal audit on agreed recommendations not implemented within reasonable timescale.
- To consider the external auditor's annual letter, relevant reports, and the report to the Management Team and Council.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider the appointment of the external auditor where appropriate.



Regulatory Framework

- To maintain an overview of the Council's Constitution in respect of contract standing order, financial regulations.
- To promote and maintain high standards of conduct for elected and co-opted members in accordance with the relevant provisions of the Localism Act.
- To review any issue referred to it by the Executive Director, Director of Resources, or any Council body.
- To monitor the effective development and operation of risk management and corporate governance in the Council.
- To monitor Council policies on the anti-fraud and anti-corruption strategy and the Council's complaints process.
- To approve the production of the authority's Annual Governance Statement and to recommend its adoption.
- To consider the Council's arrangement for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- To consider the Council's compliance with its own and other published standards and controls.

Accounts

- To review and approve the annual statement of accounts. Specifically, To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

Financial Regulations

The fundamental core to the Authority's Anti-Fraud and Corruption Strategy are the Authority's Financial Regulations and Contract Standing Orders and other policies and procedures which are mentioned in and emanate from them. These documents are regularly reviewed and are available on the Council's Intranet and Internet.



Internal Audit

The Authority has an effective Internal Audit Service provided by Furness Audit:

- Answerable to the Director of Resources.
- Reporting in detail direct to Management Team.
- Reporting quarterly to the Audit Committee.
- With authority to bypass the usual reporting procedures and go direct to Members or the external auditor if the necessary situation arises.

Internal Audit review the majority of services and functions of the Authority to assist in ensuring the adequacy of the internal control environment. This is performed with services and functions rotating against an assessment of risk, weighted frequency and available resource. In addition, Internal Audit performs periodic spot checks to ensure established controls remain in place.

External Audit

External Audit is provided by Grant Thornton, as appointed by the Audit Commission, an independent agency of Government.

The External Auditor's role is set by the Code of Audit Practice, under which they have two specific responsibilities in relation to our accounts and arrangements for securing value for money:

- For the audit of the Authority's financial statements and statements on internal control, they provide an opinion whether the statements present fairly the financial position of the Authority and its expenditure and income, and whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.
- For the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, they have a duty to satisfy itself that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The code requires that the external auditor give a conclusion on whether such arrangements are satisfactory. In meeting this responsibility they need to review and, where appropriate, examine evidence that is relevant to our corporate and financial management arrangements and report on such arrangements.



Whistle Blowing Policy

The Council has also adopted a Whistle Blowing Policy, available on the Intranet.

Whistle blowing encourages and enables employees to raise serious concerns **within** the Authority rather than overlooking a problem or 'blowing the whistle' outside.

The policy applies to all employees and those contractors working for the Authority on Authority Premises. The policy also applies to Members.

Receipt of concerns from members of the public

The free phone facility **0800 389 2330** operated by Furness Audit is available for members of the public to report their concerns. Callers can either give their names and contact details or remain anonymous.

There is also an online form on the Authority's website which allows Confidential Reporting by email.

All reported concerns (except for reports of housing benefit or council tax benefit abuses – see below) will be confidentially investigated by Furness Audit.

All reports of potential housing benefit or council tax benefit abuses will be investigated by the fraud team within Liberata.

Where investigations show the probability of abuse the matter and findings is to be referred to the Director of Resources who will determine, in consultation with fellow members of the Management Team, any follow up action including sanctions and prosecution where appropriate.

Where the Director of Resources is seen to have a substantial interest in the abuse, the matter and findings should be referred to another member of the Management Team or if not appropriate, the external auditor.

The availability of the free phone number is advertised on literature, in publications, on the website and in relevant media from time to time.

The use of the Fraud Hotline is reported quarterly to the Audit Committee.



Fraud response plan

A concern is raised

Internally this may be raised by an officer, or may be detected through management controls or the review work performed by Internal Audit.

Where appropriate, concerns raised internally should be reported to the line manager or Head of Service for an initial investigation to confirm or repudiate suspicions.

External concerns are usually reported to Internal Audit for an initial investigation.

Investigation

Where an initial enquiry suggests fraud etc., the matter is reported to the Director of Resources.

Internal Audit will usually be requested to carry out a formal investigation; reporting to the Director of Resources or the Executive Director as appropriate – ensuring that complete and applicable records are maintained to support the investigation.

Action

Following full investigation, if the suspicions are proven, the Director of Resources will request the HR Manager to determine whether any officer should be subject to disciplinary action and to implement that action.

The Director of Resources will determine whether it is necessary to inform the external auditor and any other bodies affected by the fraud.

If criminality is suspected, then the matter will be passed to the Police after discussion with the Director of Resources and where Members or officers may be involved, the HR Manager.

Repayment of any loss and prosecution will be sought in all appropriate cases.

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| AUDIT COMMITTEE | Part One (D) Agenda Item 19 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: Accounting Policies 2013-2014</p> <p>Summary and Conclusions:</p> <p>The Council's Accounting Policies have been reviewed to ensure that they remain relevant, current and reflect best practice.</p> <p>Recommendations:</p> <p>Members are recommended to approve the Accounting Policies for the Council's 2013-2014 Statement of Accounts.</p> | |

Report

It is the responsibility of the Borough Treasurer to select suitable accounting policies and apply them consistently. Any significant changes in accounting policies are reported in the Statement of Accounts. These changes are highlighted in the Code of Practice on Local Authority Accounting in the United Kingdom each year.

Accounting policies are the specific principles, bases, conventions, rules and practices applied by an Authority in preparing and presenting financial statements.

The accounting changes for the Council for 2013-2014 are:

- Minor amendments to the HRA Income and Expenditure Statement and the Major Repairs Reserve under the new self-financing arrangements.
- Amendments to the Comprehensive Income and Expenditure Statement to comply with IAS 1 *Presentation of Financial Statements* (to show gross income and gross expenditure).
- Revisions to comply with IAS 19 Employee Benefits concerning definitions, disclosures, classification and measurement, including termination benefits and post-employment benefits.
- Clarification of recognition and measurement in relation to property, plant and equipment.
- Amendments for the requirements of the localisation of business rates.

Changes in Accounting Policy

Where a change in accounting policy is required by the Code, an Authority should disclose the information that might specifically be required by the Code. For other voluntary changes in accounting policy made by an Authority, disclosure is required of:

- the nature of the change in accounting policy
- the reasons why applying the new accounting policy provides reliable and more relevant information
- for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected
- the amount of the adjustment relating to periods before those presented, to the extent practicable, and
- if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Future Accounting Standards – Disclosures

Where a new standard has been published but has not yet been adopted by the Code, Local Authorities are required to disclose information relating to the impact of the accounting change. In making the disclosures required, practitioners are recommended to disclose:

- The title of the new standard.
- The nature of the change in accounting policy or policies.
- The date by which the standard or interpretation is likely to apply to Local Authorities.
- A discussion of the impact that the introduction of the new standards is likely to have on the financial statements estimated on a reasonable basis. If an estimate cannot be made on a reasonable basis because, for example, the base data required to estimate the impact of the new standard is not available, then the financial statements should clearly explain that this is the case.

Accounting Policies for 2013-2014

The accounting policies for 2013-2014 are set out on the following pages, the specific accounting policies that have been updated are:

- Council Tax and Business Rate Transactions – for localised business rates.
- Employee Benefits – the Local Government Pension Scheme section.
- Government Grants – Efficiency Support Grant section in place of Transition Grant section.
- Heritage Assets – removal of year end balances.
- Leases – inclusion of peppercorn leases in the wording.

Attached at **Appendix 17** are the Accounting Policies for your information.

Background Papers

Nil

ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the authority's transactions for the 2013/14 financial year and its position at the year-end of 31 March 2014. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The Regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards and Financial Reporting Standards.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounting statements have been prepared on a going concern basis which assumes that the authority will continue in operation for the foreseeable future.

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from leasehold properties is recognised on an averaged basis where leases contain rent free periods and the first year requires an adjustment of over £10k.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. For housing benefit overpayments a full provision is made for the possible non-collection of this debt. However, it is the authority's policy to pursue all debtors where possible, however as the amounts and timing of recovery are not certain, they are not recognised in the Comprehensive Income and Expenditure Statement.

Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Council Tax and Business Rate Transactions

As the billing authority, Barrow Borough Council accounts for its own share of the council tax and business rates transactions in the Balance Sheet and its share of the collection fund balance is held in the Collection Fund Adjustment Account. The precepting authorities' share of the council tax transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those bodies. The County Council and Government share of the business rate transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those bodies.

Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the authority's financial performance.

Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The authority is not required to raise council tax to fund depreciation, revaluation or impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, such as time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's

decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The authority's redundancy policy was amended by Council on the 16 March 2011 to introduce an enhanced redundancy payment to encourage voluntary applications, but suspended the enhancement of pensions.

Post Employment Benefits

Employees of the authority are members of the Local Government Pension Scheme, run by Cumbria County Council.

The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cumbria pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and other factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the applicable discount rate based on the indicative rate of return on AA rated corporate bonds.
- The assets of the Cumbria pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the

Comprehensive Income and Expenditure Statement to the services for which the employees worked

- past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), that is, net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Cumbria pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make

the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and, those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the

gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, where it is material. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where premiums and discounts have been charged to the Housing Revenue Account, regulations state that the impact on the Housing Revenue Account Balance must be spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, restricted to a term of 10 years.

Financial Assets

Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. These are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

Where assets are identified as impaired because of a likelihood arising from a past event and the payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Loans and receivables also include assets traded in an active market, such as stocks, shares and gilts. In line with the Treasury Strategy the authority does not currently trade in this type of asset.

Foreign Currency Translation

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on

the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Efficiency Support Grant

Efficiency Support Grant is a revenue grant paid by Central Government in 2013/14. It is paid to authorities who would otherwise see a reduction in 'revenue spending power' of more than 8.8% in 2013/14. The grant is the amount needed to ensure that no authority experiences a revenue spending power reduction of more than 8.8%. The definition of 'revenue spending power' used to calculate eligibility for the grant is the aggregate of Council Tax, Formula Grant and other Specific Grants. The grant is non-ring fenced and is credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

Heritage Assets

The authority's heritage assets are held to support the objective of increasing the knowledge, understanding, culture and appreciation of the authority's history and local area. They are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the authority's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets.

Made up of over 20,000 items of substantially local origin, the authority has three principal collections (summarised below) which are housed within the Dock Museum, Barrow Town Hall or the local area, they include:

- Historic Collections held at market value:
 - Social history - a large variety of individual items or collections relating to World War I & II; Costume, Medical, Needlework; Toys, Pastimes & School; Domestic & Household, plus a number of other miscellaneous items.
 - Shipbuilder's Models - holding circa 30 to scale models, these exhibits are a testament to the history of the ship building era within Barrow-in-Furness; with many actually being constructed by Barrow Shipyard.
 - Boats - two boats including a 36' 6" timber auxiliary sloop boat, named the White Rose and Banshee, a timber Whammel boat.
 - Marine & Industrial history - a quantity of local marine history items including ships paraphernalia, ships tools and items relating to Furness Railway.
 - Art & Sculpture - circa 50 works of art or sculpture, including local heritage portraits, the local area and seafaring scenes.
 - Ceramics & glass - a large amount of bottles, crested china, commemorative mugs, oil light chimneys, dinner wares, a Satsuma bowl and 17th century salt glazed jugs.
 - Furniture - circa 30 items or sets within Barrow Town Hall, these items include a variety of impressive Edwardian, Victorian, 19th and early 20th century pieces.
 - Silverware - an array of tableware pieces.
 - Regalia – composed of one Mayoral & Mayoress' chain of office, presidential chair of office and a Victorian silver-gilt ceremonial mace.
 - Historic statues – Barrow-in-Furness's founding father statues of Sir James Ramsden, Lord Frederick Cavendish and Henry Schneider.
 - Viking Hoard/Bronze Age/Numismatics – a hoard of coins and a number of pieces of silver being mainly from Anglo-Saxon and Viking periods, Bronze age gold ring fragment and two Arabic dirhams.

Further information, detailing a number of the above pieces, can be found on the Local History & Heritage section of the Council's website.

- New Statues are carried at market value and depict local heroes of a more recent time. The Herbert Leigh, again carried at market value, is an RNLI life boat that served Barrow between 1952 & 1988.

- War memorials are carried at depreciated historic cost.

These items are reported in the Balance Sheet, the valuations being initially carried out as at 1 April 2010 and 1 April 2011 with future valuation reviews to be undertaken, in consultation with the appropriate professionals, with sufficient frequency to ensure that the valuations remain current. Heritage assets, added to the collections during 2013/14 have been valued by the Treasure Valuation Committee and, for smaller donated items, by the authority's Museum Curator, as to instruct an official valuer would be too expensive for the relative value of the specific items. Where assets are deemed to have indeterminate lives no depreciation will be applied. Where the useful life can be determined, the authority's depreciation policy will be applied.

The Dock Museum also holds a collection of ephemera which is not recognised on the Balance Sheet as the value of these small items, even when grouped is de minimus. There are three assets where cost information is not readily available and the authority believes that the benefits of obtaining the valuation for these would also not justify the cost; these being the graving dock, the cenotaph and a stone fountain.

The carrying amounts of heritage assets are reviewed where there is evidence of impairment e.g. if an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the authority's general policies on impairment. Should there ever be a disposal of a heritage asset; the proceeds of such items are accounted for in accordance with the authority's general provisions relating to the disposal of property, plant and equipment. Disposal proceeds are disclosed separately in the notes to the financial statements and are accounted for in accordance with statutory accounting requirements relating to capital expenditure and capital receipts (see 'q.' in this summary of significant accounting policies).

Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The authority's inventories are stocks purchased for internal issue and for sale as merchandise.

Long term contracts are accounted for on the basis of charging the (Surplus) or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a rent-free period at the commencement of the lease).

Vehicles and equipment that are contained within a contractual arrangement are deemed to be an operating lease where the Council does not significantly control the physical assets and where the term of the contract is less than the expected useful life of the assets.

The Authority as Lessor

Operating Leases

Where the authority grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

All operating leases, including peppercorn leases, are recognised by the authority for disclosure purposes, building leases not less than 10 years and land leases not less than 50 years are assessed for evidence of a finance lease. Vehicle and equipment operating leases are deemed to be immaterial.

Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Accounting Code of Practice 2013/14. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (repairs and maintenance) is charged as an expense when it is incurred. Acquisitions under £10,000 are deminimus and are not considered to create an asset.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The authority does not capitalise borrowing costs.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (which will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure and community assets– depreciated historical cost
- assets under construction –historical cost until brought into use
- dwellings – fair value, determined using the basis of existing use value for social housing (EUV-SH)
- all other assets – fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Where an item of Property, Plant and Equipment with a value over £150,000 has major components whose cost is not less than 20% of the total cost of the asset, the components are treated as separate assets. For existing assets the components are recognised on replacement until a revaluation is performed.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to

the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (such as freehold land and certain Community Assets) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- plant and equipment – straight-line allocation over the useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over the useful life of the asset.

Where an item of Property, Plant and Equipment with a value over £150,000 has major components whose cost is not less than 20% of the total cost of the asset, the components are depreciated separately. For existing assets the components are recognised on replacement until a revaluation is performed.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less the costs of sale. Where there is a subsequent decrease to fair value the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Council dwellings are available for sale to sitting tenants under the provisions of the Right to Buy legislation. The authority does not classify these as held for sale unless there is a formal exchange date available at the year end.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, decommissioned or derecognised, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will

now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, pensions and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been

charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

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| AUDIT COMMITTEE | Part One (D) Agenda Item 20 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: Going Concern</p> <p>Summary and Conclusions:</p> <p>The Council is required to assess and determine that it is appropriate to prepare the financial statements on a going concern basis. The review should take account of all available information about the future, which is at least, but not limited to the next twelve months from the end of the reporting period.</p> <p>The accounts of the Council for the period 1st April, 2013 to 31st March, 2014 will be prepared on a going concern basis. This basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.</p> <p>Recommendations:</p> <p>Members are recommended to agree that the Council is a going concern and that it is appropriate for the accounts to be prepared on a going concern basis.</p> | |

Report

International Financial Reporting Standards require the Council to assess and determine that it is appropriate to prepare the financial statements on a going concern basis. This should take account of all available information about the future, which is at least, but not limited to a period of twelve months from the end of the reporting period.

Management Team have considered all relevant factors (see the table below) and determined that the going concern concept does apply to Barrow Borough Council.

The accounts of the Council for the period 1st April, 2013 to 31st March, 2014 will be prepared on a going concern basis. This basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.

| Considerations | Management Team assessment | Completed | Date |
|----------------------------|---|------------------|------------------------------------|
| Forecasts and budgets | Council approved the budgets for 2014-2015. | No | March 2014 |
| | Council approved Medium Term Financial Plan. | No | April 2014 |
| | Council approved a three year capital programme. | No | March 2014 |
| | External Audit provided an unqualified opinion on the accounts for the year ended 31 st March 2013. | Yes | September 2013 |
| | Budget Strategy to balance the budget by 2015-2016 approved by Council. | Yes | October 2011 |
| Working capital facility | The Council's income stream is assessed as sufficient to provide adequate working capital. The Council's banking arrangement is flexible and can provide temporary cover if required. | Yes | Ongoing |
| Medium and long term plans | The annual budget process provides the following years' budget as well as a three year forecast. | Ongoing | Ongoing |
| New legislations | The HRA is now operating under the new self-financing arrangements. | Yes | April 2012 |
| | The Council has adopted the prescribed default Council Tax Reduction Scheme for 2014-2015. | Ongoing | July 2013 |
| | The Council is aware of the upcoming changes for Universal Credit. | Ongoing | Ongoing |
| | The Council has signed up to the DCLG Right to Buy receipt retainment scheme. | Yes | Revised agreement signed June 2013 |
| Cash flow timing | A full assessment of projected cash inflows and outflows is carried out on daily basis, including the timing of receipts and settlement of all known liabilities. There are no known factors which would result in a cash shortage during 2014-2015. Business rate retention has been built in to the Council's cashflow projections. | Ongoing | Ongoing |

| Considerations | Management Team assessment | Completed | Date |
|------------------------|--|------------------|-------------|
| Contingent liabilities | The Council does not have any material contingent liabilities either at the present time or forecast which are not included in the accounts. | Yes | Ongoing |
| Risk management | The Council has a risk management process which focuses on the business critical areas of operations and management. | Ongoing | Ongoing |
| Political environment | The Council has moved to a four yearly election cycle. The May 2011 elections resulted in a decisive majority for one political party. This environment provides stability in the policy making areas relating to services and the overall direction of the Council. | Yes | May 2011 |

Background Papers

Nil

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| AUDIT COMMITTEE | Part One (D) Agenda Item 21 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: 2013-2014 Accounts Update</p> <p>Summary and Conclusions:</p> <p>This report contains an update on the 2013-2014 Accounts, highlighting changes and updates that have occurred. The report also provides an update on the items highlighted for review following the 2012-2013 audit.</p> <p>Recommendations:</p> <p>Members are recommended to receive the report and raise any questions.</p> | |

Report

The annual closedown timetable has been prepared and is being taken out to Managers by the Accountants. We are absorbing a maternity leave during this closedown and all of the associated cost centres have been distributed amongst the remaining Accountants. The Accountancy Services Manager will manage the workload as part of managing the Accountants as a whole.

Members will be aware that, from April, I will be taking on additional responsibilities and duties. However, I want to assure Members that this will not take me away from working on the Council's Statement of Accounts. In the longer term it is likely that I will stop preparing some of the items in the accounts and just retain my quality assurance and technical compliance role. For the 2013-2014 closedown I will continue to prepare various items within the accounts and provide technical advice when required.

The data requests for departments, Members and Officers are all prepared and will be despatched nearer to the year end.

The Accountancy Services Manager and the Financial Services Manager are attending the CIPFA/Grant Thornton closedown workshop in March 2014. They will be briefing the Accountants on their return.

The Statement of Accounts document will be brought forward for updating. The working paper file structure has been brought forward ready for use.

Other Updates

The External Auditors update report on the agenda today identified a number of recent issues or current affairs. Here I will provide Members with the Council's arrangements in relation to each item.

- Tough Times 2013
 - Balanced 2014-2015 budget to Council on 4th March, 2014.
 - Medium Term Financial Plan to Council on 8th April, 2014.
- Local Audit and Accountability Act
 - Report on auditor panel to follow.
- Financial settlement 2014-2015:
 - Balanced 2014-2015 budget to Council on 4th March, 2014.
- Support for UK high streets
 - Impact estimated for NNDR1 return, total £1.3m.
 - Councils will receive a section 31 grant to fund these initiatives.
 - Instalments may impact on monitoring in year.
- New homes
 - HRA following 30 year business plan to repay existing debt.
 - New Homes Bonus may be changing from 2015-2016.
- Tipping Point
 - £4.4m into £5m four year Budget Strategy.
 - Council Priorities and Workforce Strategy recently agreed.
 - Medium Term Financial Plan about to be updated.
- Alternative Delivery Models
 - NW Employers 3 day course for Management Board and Business Improvement Team in January. Discussions currently under review for Management Group session in March.
- Welfare Reforms
 - Annual update to Executive Committee.
 - Universal credit currently programmed for 2016-2017 for Barrow Borough Council.
 - Revenues & Benefits Client Manager attends briefings with the Job Centre, DWP and the Pension Service.
 - Welfare Reform Group includes the Council other agencies; Citizen's Advice Bureau, Barrow and District Disability Association, Age UK, Barrow and District Credit Union, Mind in Furness, Project John, and Accent Group.
 - Local Council Tax Support scheme agreed for 2014-2015.
- Revaluing Assets
 - This has been discussed with the Valuers.
 - There are no changes to the classes of assets held by the Council.
- Business Rate Appeals
 - Ongoing liaison with the Valuation Office established.
 - 31st March, 2014 appeals estimated for NNDR1 return, total £1.4m.
 - Calculation will be performed as part of closedown process after discussion at the Cumbria Chief Finance Officers group.

- Pensions Accounting
 - Actuarial services are secured under the usual Cumbria arrangements.
 - The Council is not considering an early repayment.
- Pension Scheme
 - Cumbria County Council and YPS have both hosted pension conference/workshops and the Council is aware of the changes from 1st April, 2014.
 - The payroll provider is prepared for the changes.
 - Monthly data exchange on Excel templates agreed with the pension fund.

Items highlighted in 2012-2013 audit

There were three areas highlighted for review following the 2012-2013 Accounts audit and these were reported in the Securing Financial Resilience report presented at the previous meeting.

- Sickness levels;
- Medium Term Financial Plan; and
- Segmental reporting.

Sickness levels

Sickness reports are submitted by the HR Manager to Management Board on a quarterly basis. The new occupational health provider commenced on the 1st October, 2013. At quarter 3 the number of day's absence per employee is 8.36 days compared to 9.44 days for the previous year. The reasons for the absences are also reported as is the split between long term and short term absences:

- Long term 1,180 days
- Short term 426.5 days

There is currently one employee who has been absent for over a month and two employees that were on long term sick have commenced phased returns. Return to work interviews are monitored to ensure that timely action can be taken where necessary.

The complete average number of days will not be known until the end of the financial year.

Medium Term Financial Plan

The Medium Term Financial Plan was updated for the Efficiency Support Grant and the Workforce Strategy at the Executive Committee of the 13th November, 2013. The quarterly Council Finances report now includes a section relating specifically to the Medium Term Financial Plan.

Segmental reporting

The Council's reporting divisions for resource allocation decisions has been reviewed. The following divisions will be included in the quarterly Council Finances report:

- Corporate and Support Services
- Public Housing and Homelessness
- Regeneration and the Built Environment
- Community Services
- Revenue and Benefits

This will be reported in addition to the whole General Fund and separate, Housing Revenue Account. The quarterly report format will be reported to the Executive Committee on the 26th March, 2014, for approval.

Background Papers

Nil

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| AUDIT COMMITTEE | Part One (D) Agenda Item 22 |
| Date of Meeting: 6th March, 2014 | |
| Reporting Officer: Borough Treasurer | |
| <p>Title: Audit Committee Work Plan</p> <p>Summary and Conclusions:</p> <p>This report contains the Work Plan for the Audit Committee for 2014-2015. The meeting dates are not set until Annual Council.</p> <p>Recommendations:</p> <p>Members are recommended to agree the Work Plan.</p> | |

Report

This report sets out the Audit Committee Work Plan which will be the basis for the agenda of the meetings throughout 2014-2015.

The items listed within the plan are not exclusive as other items can be brought to the Audit Committee as appropriate. Any recurring items will be built into the Work Plan.

The Work Plan is based on the Terms of Reference for the Audit Committee as set out in the Councils' Constitution. The reports are aligned to the relevant area, together with the reporting officer and the reporting cycle noted in the final columns.

Members are recommended to agree the Audit Committee Work Plan for 2014-2015, presented at **Appendix 18**.

Background Papers

Nil

Audit Committee Work Plan

| Terms of Reference | Reporting Officer | Report | Meeting | | | |
|---|------------------------|----------------------------------|---------|-----|-----|-----|
| | | | Jun | Sep | Dec | Mar |
| To approve the Internal Audit planned activity for the year. | Head of Internal Audit | Annual Plan | | | | ✓ |
| To consider progress reports and summaries of Internal Audit reports and outstanding actions. | Head of Internal Audit | Final Reports | ✓ | ✓ | ✓ | ✓ |
| | | Progress Report | | ✓ | ✓ | ✓ |
| To consider the annual report and opinion of the Head of Internal Audit. | Head of Internal Audit | Annual Report | ✓ | | | |
| To consider the External Audit Annual Governance Report. | Appointed Auditor | Annual Governance Report | | ✓ | | |
| To consider External Audit reports. | Appointed Auditor | Audit Plan | | | | ✓ |
| | | Claims and Returns Annual Report | | | ✓ | |
| | | Annual Audit Letter | | | ✓ | |
| | | Audit Committee Update | ✓ | ✓ | ✓ | ✓ |
| | | Any other reports as they arise | | | | |
| To review and approve the Statement of Accounts. | Borough Treasurer | Accounts Update | ✓ | ✓ | ✓ | ✓ |
| | | Going Concern | | | | ✓ |
| | | Accounting Policies | | | | ✓ |
| | | Statement of Accounts | | ✓ | | |
| | | Letter of Representation | | ✓ | | |
| To maintain an overview of Financial Regulations and approve any changes. | Borough Treasurer | Annual Review | | | | ✓ |

| Terms of Reference | Reporting Officer | Report | Meeting | | | |
|--|-----------------------|--|---------|-----|-----|-----|
| | | | Jun | Sep | Dec | Mar |
| To maintain an overview of Contract Standing Orders and approve any changes. | Borough Treasurer | Annual Review | | | | ✓ |
| To review anti-fraud policies. | Borough Treasurer | Annual Review | | | | ✓ |
| To consider a report on the Internal Audit function. | Borough Treasurer | Annual Review | ✓ | | | |
| To review any issue referred by Chief Officers or other Council body. | Borough Treasurer | As matters arise | | | | |
| To review the effectiveness of the Audit Committee. | Borough Treasurer | Annual Review of Audit Committee Effectiveness | ✓ | | | |
| | | Audit Committee Work Plan | | | | ✓ |
| | | Audit Committee Terms of Reference | ✓ | | | |
| To consider Audit Committee training requirements. | Borough Treasurer | No Report | ✓ | | | |
| To consider and approve the Annual Governance Statement. | Policy Review Officer | Draft Annual Governance Statement | ✓ | | | |
| | | Final Annual Governance Statement | | ✓ | | |
| To consider and monitor corporate governance arrangements. | Policy Review Officer | Monitoring Report (Governance) | ✓ | | ✓ | ✓ |
| | | Code of Corporate Governance Annual Review | | | | ✓ |
| | | Monitoring Report (Priority 1 recommendations) | ✓ | ✓ | ✓ | ✓ |

| Terms of Reference | Reporting Officer | Report | Meeting | | | |
|--|-----------------------|-------------------|---------|-----|-----|-----|
| | | | Jun | Sep | Dec | Mar |
| To monitor and review risk management arrangements. | Policy Review Officer | Monitoring Report | ✓ | ✓ | ✓ | ✓ |
| To promote and maintain high standards of conduct for Members. | Monitoring Officer | As matters arise | | | | |
| To monitor the Councils' complaints process. | Monitoring Officer | Annual Report | | ✓ | | |

