

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 7th March, 2013
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 13th December, 2012 (copy attached) (Pages1-10).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Annual Governance Statement (Pages 11-12).

- (D) 8. Monitoring Priority 1 Recommendations (Pages 13-17).
- (D) 9. Risk Management (Pages 18-19).
- (D) 10. Code of Corporate Governance (Page 20).
- (D) 11. Certification Work Report 2011-2012 (Page 21).
- (D) 12. Audit Committee Update (Page 22).
- (D) 13. Internal Audit Final Reports (Pages 23-24).
- (D) 14. Internal Audit Progress Report (Page 25).
- (D) 15. Internal Audit Annual Plan 2013-2014 (Page 26).
- (D) 16. Financial Regulations and Contract Standing Orders (Page 27).
- (D) 17. Anti-Fraud Policies (Page 28).
- (D) 18. Update on 2012-2013 Accounts Closedown (Pages 29-30).
- (D) 19. Audit Committee Work Plan (Pages 31-34).

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

Membership of Committee

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

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AUDIT COMMITTEE

Meeting 13th December, 2012
at 2.00 p.m.

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

Also present were Keith Jackson from Internal Audit and Gina Martlew and Ian Boit from Grant Thornton.

28 – The Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985 and Access to Information (Variation) Order 2006

Discussion arising hereon it was

RESOLVED:- That under Section 100A(4) of the Local Government Act, 1972 the public and press be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 (Minute No. 39) of Part One of Schedule 12A of the said Act.

29 – Minutes

The Minutes of the meeting held on 27th September, 2012 were taken as read and confirmed.

30 – Declarations of Interest

Councillor Burns declared an other registrable interest in Agenda Item No. 9 – Risk Management (Reduction in Recycling Reward Scheme Payments from Cumbria County Council) (Minute No. 34) as she was a Cumbria County Councillor.

31 – Apologies for Absence/Attendance of Substitute Members

Apologies for absence were received from Councillors W. McClure and Thurlow.

32 – Annual Governance Statement 2011

The Policy Review Officer reported that the Council had responsibility for ensuring that Council business was conducted within the law and proper standards, and that public money was safeguarded and properly accounted for. Part of this governance process was the preparation and publication of an Annual Governance Statement which was a self assessment of how effective the considered its governance arrangements to be. To make this process more robust the Council had set up a Manager's Assurance Group to examine governance arrangements in service areas and provide assurance statements for those areas.

The Group met on 6th December, 2012 and the Policy Review Officers provided Members with a verbal update.

He would report on a quarterly basis with regards to this matter.

RESOLVED:- That the information be noted.

33 – Monitoring Priority 1 Recommendations

The Policy Review Officer reported that Internal Audit undertook reviews of Council 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 considered the recommendations and determined whether to accept or reject them. If the recommendation was accepted the manager was agreeing to implement the recommendation.

To ensure all agreed Internal Audit Priority 1 recommendations were implemented in a timely manner they were now tracked by Management. Progress against the implementation of the Priority 1 recommendations that were agreed in 2011/12 were detailed in the Policy Review Officer's report. There had not been any additions to this list in 2012/13 to date.

The business continuity arrangements were discussed by Management Board in October and it was agreed that the Council would identify key operational risks and use this information to inform the Business Continuity Plan.

The Assistant Director of Community Services was continuing the preparations for the tendering process and had identified a consultant to assist in the preparation of the Forum Catering Contract.

An additional Priority 1 recommendation was made in the assurance report for the Dalton Urban Park and MUGA. This recommendation was retrospective for this contract and there was no action to be taken. However, this Committee should continue to monitor contracts to ensure appropriate documentation was in place. The Committee discussed the Priority 1 recommendation for the Dalton Urban Park and expressed their concerns that this issue should not arise again. The Borough Treasurer assured Members that there was now a contract checklist in place which guided Officers when preparing contracts to prevent such issues arising in the future.

RESOLVED:- That the Committee continue to monitor contracts to ensure appropriate documentation was in place.

34 – Risk Management

The Policy Review Officer reported that the Risk Register for 2012/13 continued to focus on those business critical risks which were under the control of the Council. A copy of the Register was attached as an appendix to his report.

The Risk Register was reviewed by Management Board at their meeting in November 2012 and there were no significant changes to the risks. Management Board however did agree to a new format for presenting the Risk Register which included taking the mitigating actions into account and re-assessing the risks.

Members of the Committee particularly discussed the reduction in recycling reward scheme payments from Cumbria County Council and the failure of external partners, service providers or contractors.

RESOLVED:- That the Audit Committee continue to monitor the Risk Management Register and any Business Critical Risks.

35 – Performance Management

The Policy Review Officer reported that the Council's Key Priorities for 2012/15 were:-

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

The proposed actions for 2012/13 were listed below although some of the actions would take longer than one year to complete.

KP 1:

- Complete the all weather soccer centre. This was due to be completed in December 2012 but had been subject to delays and would be completed in March 2013.
- Renegotiate the Council's catering contract.
- Carry out a Survey of Tenants and Residents (STAR survey) to understand the expectations and aspirations of our tenants.
- Review recycling collections to maximise recycling income and mitigate the impact of a reduction in the value of recycling rewards.
- Actively encourage all Members to access the Modern Councillor online e-learning facility'

KP 2:

- A two year project to carry out Group Repair Work to 240 properties in sub areas A and E including:
 - Chimney stack repairs
 - Door and window replacement
 - Rendering and new rain water goods
 - Cavity wall insulation
- Identify appropriate sites in partnership with Accent Housing to build 27, 3-bedroom social houses.

KP 3:

- Transfer management of Waterside House to BAE Systems as part of the lease agreement. Complete.
- Complete refurbishment at Phoenix Park Business Centre
- Agree local arrangements to mitigate the impact of the Council Tax reduction scheme, which replaces the current Council tax Benefits.

KP 4:

- Complete the external refurbishment of 102 Abbey Road. This project is 98% complete.
- Two year project to construct a roof on Level C of the multi storey car park.

Progress against these actions was recorded in the action plan appended to the report; none of the actions were due to be completed in quarter 1.

Key Performance Indicators

The table below is a selection of existing indicators:-

Local Indicators

Indicator	Description	Q2 2011/12	Q2 2012/13	Change
9	Percentage of Council tax collected	57.08	57.05	
10	Percentage of NNDR collected	62.31	59.88	
12	Average number of days sick per member of staff	3.72	6.05	
NI 191	Residual waste per household	446	422	
N1192	% of waste recycled, composted	39.36	40.3	
	Weight of waste recycled and composted	5831	5641	

The NNDR figure was low at the end of the quarter but had since recovered. The sickness figure was worse than the Council typically normally saw in the second quarter and should be monitored closely. The percentage of waste recycled had increased, however the tonnage was lower and this would impact on the value of the recycling rewards.

Income

The Table below shows the income figures for quarter 1 against the current budget and provided a comparison with the quarter 1 figures for 2011/12.

Income quarters 1 and 2

		2011/12	2012/13
Service		£s	£s
Crematorium	Budget	176,400	300,000
	Actual	158,388	270,197
Cemetery	Budget	49,615	45,040
	Actual	29,420	37,923
Parking	Budget	446,000	326,154
	Actual	305,905	303,311
Recycling	Budget	493,000	424,300
	Actual	446,613	424,300
Bulky waste	Budget	18,000	39,000
	Actual	25,082	36,980
PLC 1	Budget	375,200	322,620
	Actual	314,316	319,795

The income was subject to seasonal variation which distorted the figures but despite this, the income was lower than expected. As a result the budget income had been revised.

RESOLVED:- That the report be noted.

36 – Revenues and Benefits 2010-2011 VFM Profiles

The Borough Treasurer reported that at the Audit Committee of 27th September, 2012, Members had requested comparative information for the outlying VFM (value for money) profiles for revenues and benefits as highlighted by the Appointed Auditor in the Annual Governance Report for 2011-2012.

“The Audit Commission's VFM profile (prepared from information supplied to central government each year by all Councils) of the Council's key indicators shows that:

- *a key outlier was the spend on council tax benefits and housing benefits administration of £23 per head compared to an average of £17.66 per head; and*
- *another key outlier was the net spend on non-domestic rates (NDR) collection per non domestic property was in the highest 5% of its nearest CIPFA neighbour group.”*

Spend on Council Tax Benefits and Housing Benefits Administration per head

This was the sum of net current expenditure on the administration of council tax benefits plus the net current expenditure on the administration of housing benefits. This was calculated by the Audit Commission based on information taken from the annual Revenue Outturn return that the Council submitted to the Department for Communities and Local Government.

The value shown was expressed as pounds (£) per head of the total resident population, from Office of National Statistics mid-year population estimates.

The following table shows the 15 other councils with the most similar nearest neighbour profile; and these are shown in the table below, as well as the cost per claim:

Authority	Cost £000's	Population 000's	Per head	Caseload	Per claim
Lancaster City Council	2,799	141.1	£19.84	14,060	£199.08
Barrow Borough Council	1,626	70.7	£23.00	8,330	£195.20
Nuneaton And Bedworth Borough Council	2,331	122.2	£19.08	12,970	£179.72
Shepway District Council	1,913	101.2	£18.90	12,750	£150.04
Waveney District Council	2,024	117.5	£17.23	13,960	£144.99
Erewash Borough Council	1,592	111.3	£14.30	11,510	£138.31
Dover District Council	1,654	106.9	£15.47	12,020	£137.60
Pendle Borough Council	1,410	89.3	£15.79	10,980	£128.42
Swale Borough Council	1,859	133.4	£13.94	14,630	£127.07
Burnley Borough Council	1,330	85.3	£15.59	12,530	£106.15
Hyndburn Borough Council	1,062	81.1	£13.09	10,520	£100.95
Gosport Borough Council	655	79.9	£8.20	8,010	£81.77
Weymouth and Portland Borough Council	576	63.5	£9.07	7,820	£73.66
Thanet District Council	1,255	132.2	£9.49	20,450	£61.37
Mansfield District Council	570	99.6	£5.72	12,570	£45.35
Great Yarmouth Borough Council	228	97.2	£2.35	14,710	£15.50

Where these functions were outsourced there must be a client role to check 10% of all benefit determinations made by the contractor. This was a cost that internally run revenues and benefits services would not have. The indicator made no measure of quality or speed of processing.

The next table shows the spend on council tax benefits and housing benefits administration for the Cumbrian districts:

Authority	Cost £000's	Population 000's	Per head	Caseload	Per claim
Eden District Council	668	51.8	£12.90	3,200	£208.75
Barrow Borough Council	1,626	70.7	£23.00	8,330	£195.20
South Lakeland District Council	955	103.7	£9.21	6,530	£146.25
Carlisle City Council	1,422	104.5	£13.61	10,080	£141.07
Copeland Borough Council	836	69.5	£12.03	7,200	£116.11
Allerdale Borough Council	1,047	94.1	£11.13	9,530	£109.86

Net spend on non-domestic rates collection per non-domestic property

This was the net current expenditure on non-domestic rates collection, taken from the Revenue Outturn return that the Council submitted to the Department for Communities and Local Government. This was expressed as pounds (£) per non-domestic hereditament, from CIPFA Finance and General Statistics.

A non-domestic hereditament was a non-domestic property: a business property such as a shop, office, warehouse and factory and any other property that was not classed as domestic, such as that occupied by charities and voluntary organisations.

The Borough Treasurer had included the net spend on non-domestic rates collection per non-domestic property, the percentage of NNDR due collected, the percentage of NNDR paid by direct debit and the collection allowance. The collection allowance represented the result of a formula which government used to estimate how much a council should spend on collecting non-domestic rates given various aspects of the business community it was collecting from.

Authority	Spend per NNDR property	NNDR due collected	NNDR paid by direct debit	Collection allowance £000's
Gosport Borough Council	£61.36	97.50%	~	84
Barrow-in-Furness Borough Council	£48.93	98.20%	37%	101
Weymouth and Portland Borough Council	£39.88	96.60%	~	109
Great Yarmouth Borough Council	£21.30	98.50%	~	189
Shepway District Council	£20.87	98.00%	42%	154
Pendle Borough Council	£17.89	97.60%	~	136
Erewash Borough Council	£17.80	97.50%	50%	140
Burnley Borough Council	£17.64	98.30%	~	147
Thanet District Council	£9.72	98.00%	~	193
Mansfield District Council	£7.67	99.20%	49%	131
Swale Borough Council	£0.00	97.20%	43%	172
Dover District Council	-£2.34	98.40%	~	155
Nuneaton And Bedworth Borough Council	-£9.66	98.20%	48%	138
Waveney District Council	-£11.24	98.60%	47%	204
Hyndburn Borough Council	-£12.69	91.90%	34%	135
Lancaster City Council	-£17.28	98.90%	46%	234

~ The Authority did not return this information to CIPFA.

The next table shows the Cumbrian districts:

Authority	Spend per NNDR property	NNDR due collected	NNDR paid by direct debit	Collection allowance £000's
Barrow Borough Council	£48.93	98.2%	37%	101
Copeland Borough Council	£37.42	99.1%	42%	114
Carlisle City Council	£30.46	98.1%	45%	183
Allerdale Borough Council	£11.44	95.6%	~	182
South Lakeland District Council	£1.80	97.1%	~	291
Eden District Council	-£5.64	98.9%	~	131

~ The Authority did not return this information to CIPFA.

It was important that Members were aware that the NNDR due collected was measured at 31st March for the return that the Authority submitted to CIPFA. The NNDR due collected for 2010-2011 currently stood at 99.2% and continued to be collected.

Members were concerned about the comparative costs and discussed the definition an excellent service.

The Borough Treasurer explained that the figures could include different aspects of different authority's services therefore an accurate comparison was unattainable.

RESOLVED:- That the report be noted.

37 – Final Internal Audit 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 attended the meeting to present the reports to Members.

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

1. Income Collection – Substantial Assurance with one minor issue;
2. Budgetary Control – Unqualified Assurance;
3. Treasury Management – Unqualified Assurance;
4. Housing Rents – Substantial Assurance with one minor issue and one previous recommendation;

Contract Audits

5. Arthur Street Demolition – Substantial Assurance with three important issues; and
6. Dalton Urban Park and MUGA – Restricted Assurance with one major issue and three important issues

Members considered the final reports and raised their concerns with the Head of Internal Audit.

RESOLVED:- To note the Internal Audit Final Reports.

38 – Internal Audit Progress Report

The Borough Treasurer reported that the Internal Audit Progress Report for the period 1st April, 2012 to 30th November, 2012 had been produced by the Head of Internal Audit. The Head of Internal Audit attended the meeting to present the report to Members.

The following table summarised the number of audit recommendations which had been made in the final reports issued up to 30th November, 2012; analysed by their priority, including whether accepted by Management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	15	1	9	5
Fully Accepted	15	1	9	5
Partly Accepted	-	-	-	-
Not Accepted	-	-	-	-

All fifteen recommendations had been fully accepted.

RESOLVED:- That the report be received.

39 – Main Service Contracts

The Borough Treasurer reported that at the Audit Committee on 27th September, 2012 Members had requested a note of the main services that the Council performed through contracts and the monitoring arrangements in place.

The Borough Treasurer provided information with regards to the Revenues and Benefits Contract, the Refuse, Recycling and Street Cleansing Contract, the Grounds Maintenance Contract, the Internal Audit Contract, the Customer Relationship Management Contract, and the Payroll Contract.

The information showed the provider, the contract end date, the annual value for 2012-13, the Responsible Officer, and the Management Arrangements for each contract.

RESOLVED:- That the report be noted.

The meeting closed at 3.18 p.m.

		Part One
AUDIT COMMITTEE		(D) Agenda Item 7
Date of Meeting:	7th March, 2013	
Reporting Officer:	Policy Review Officer	
<p>Title: Annual Governance Statement</p> <p>Summary and Conclusions:</p> <p>To provide Members with the updated Annual Governance Statement arrangements for 2012/13.</p> <p>Recommendations:</p> <p>Members are invited to consider the information.</p>		

Report

The Council has responsibility for ensuring that Council business is conducted with the law and proper standards, and that public money is safeguarded and properly accounted for. Part of this governance process is the preparation and publication of an Annual Governance Statement which is a self-assessment of how effective we consider our governance arrangements to be. To make this process more robust the Council has set up a Manager's Assurance Group to examine governance arrangements in service areas and provide assurance statements for those areas.

The group has reviewed similar process at other councils and has used this information to develop an annual assurance statement in the form of a questionnaire.

It is intended that operational managers use the assurance questionnaire to raise awareness of key areas of good governance i.e. risk management, contract management and performance management with their staff. They can then work with staff to assess whether the questions are relevant to their operational areas and identify if there are any gaps.

Management Board has agreed that this is an appropriate process for gathering information and all operational managers will be briefed about the assurance gathering questionnaire at the next meeting of Management Group on 4th March 2013.

Background Papers

Nil

Assurance statement

Managers are requested to complete the assurance gathering questionnaire using their own judgement and by asking a small sample of their staff.

Question	Available evidence
Do you assess the risks to service delivery and agree mitigating actions with your line manager?	
Do you know where to find the budget for your service and how to find out what funds are available?	
Do you monitor the performance of your service and record actions to improve service delivery?	
Do you review the outcomes of improvement initiatives and projects?	
Do you have a mechanism in place to record and respond to service complaints?	
Do you have a register of relevant contracts for service delivery and support services?	
Do you monitor and record the performance of contractors to ensure they are meeting key contract specifications?	
<p>Are your staff aware of the general content of the following corporate policies that are relevant to them and are able to access them?</p> <ul style="list-style-type: none"> Contract / tendering procedures Employee Code of Conduct Data Protection Policy Financial Regulation Health and Safety policy Information Security Policy Medium term Financial Strategy Registers of interests and hospitality Risk Management Policy Business insurance policy Whistle blowing policy 	

		Part One
AUDIT COMMITTEE		(D) Agenda Item 8
Date of Meeting:	7th 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. Progress against the implementation of the Priority 1 recommendations that were agreed in 2011/12 is detailed below there has not been any additions to this list in 2012/13 to date.

The business continuity arrangements were discussed by Management Board in October and it was agreed that the Council would identify key operational risks and use this information to inform the Business Continuity Plan. It is anticipated that the business continuity plan will be developed in Q1 2013/14.

Regarding the Forum catering contract the Assistant Director of Community Services is continuing the preparations for the tendering process and is considering the report from the consultant who was commissioned to assist in the preparation.

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> <ul style="list-style-type: none"> a) designate a senior officer to be responsible for developing and maintaining its BCM procedures; b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM; c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises; d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities. 	<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 incident, sets out procedures and 	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>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. 		
<p>CATERING CONTRACT – THE FORUM (10-24)</p>	<p>The Council should endeavour to agree contractual terms with Sodexo that demonstrate value for money; or consider market testing the service provision in accordance with the Council's Constitution.</p>	<p>Chief Executive & Assistant Director Community Services</p>	<p>Not Implemented</p> <p>The Council is currently undertaking preparation for the tendering process.</p>

Audit Report	Recommendation	Responsible Officer	Current position
CATERING CONTRACT – THE FORUM (10-24)	<p>The Council should:</p> <ul style="list-style-type: none"> a) be fully aware of, and be satisfied with, its potential obligations in respect of capital expenditure under the proposed contractual arrangements, including the conditions relating to un-depreciated expenditure, prior to agreeing those arrangements; b) ensure that it always agrees in advance the amount of any capital expenditure proposed by Sodexo; c) request Sodexo to provide evidence of its actual capital expenditure under the contract; d) ensure that investment is made early in the life of the new contract to avoid a large residual liability for undepreciated capital expenditure; and e) if the finalised contract states an amount of planned investment, clarify the liability for any amount expended in excess of that amount. 	Assistant Director Community Services	Not Implemented The Council is currently undertaking preparation for the tendering process.

AUDIT COMMITTEE		Part One (D) Agenda Item 9
Date of Meeting: 7th March, 2013		
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 2012/13 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 in January 2013 and the following changes were agreed.

The former risk regarding the impact of redundancies on service delivery and staff has been subsumed into Risk 3: Impact of spending review on service delivery. The rationale for this change was that redundant posts have been removed and the Council is aware of the impact that it has had. As a result the score for the mitigated impact has been increased to reflect the short-term impact on capacity to deliver some services. The Council is continuing to monitor business critical posts and will recruit staff as necessary.

Risk 4: Impact of changes to benefit system on income for the housing department. To mitigate this impact a new post has been created to assist with income recovery. The mitigating action has been changed to reflect this new post but the risk scores remain the same.

The former risk regarding changes to the Local Council Tax reduction scheme has been removed. The Council has agreed to absorb the reduction in the grant and this is reflected in the budget.

Risk 7: relating to reduction in recycling reward scheme has been replaced because the Council's bid for Weekly Collection Support Scheme funding was

successful. A new risk failure to reduce the cost of the cleansing contract has been identified to mitigate the longer term impact of the reduction in the recycling reward grant.

The likelihood score for Risk 13: Level of sickness worsens has increased because of the adverse trend in the level of sickness.

The updated risk register is attached as **Appendix 1**.

Operational risks

Management has agreed a number of operational risks and these are presented in **Appendix 2**. The operational risks will be used to inform the development of the Council's business continuity plan.

Background Papers

Nil

Risk Register January 2013

Inherent risk score					Residual risk score				
Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
1 The Council faces £5M budget deficit for the period up to 2015	5	5	25	The Council fails to address the budget deficit resulting in the Council having insufficient funds to deliver its statutory duties and contracted services	The Council has set a budget to achieve the savings for 2012/15 but some additional savings will need to be made if the price changes don't generate the expected income The Council will use some of its reserve funds to reduce the impact on service delivery and the pace of change.	Executive Director and Borough Treasurer	5	3	15
2 The economy remains depressed	5	5	25	This will have a significant impact on the Council's revenue streams and may result in a larger than anticipated deficit	The Council will endeavour to maximise income streams and reduce costs The Council monitors the budget on a regular basis and can review service delivery if required	Management Board	5	5	25
3 Impact of the Council's comprehensive spending review on delivery of services	5	4	20	The spending review has challenged all services and if it is not properly managed may result in a loss of staff morale and customer confidence. The Council tried to minimise compulsory redundancies. There has been a short-term impact on our capacity to deliver some services.	The service review has reflected the Council's updated key priorities. Some reduction in service is inevitable given the size of the budget deficit The Council will give a clear statement on priorities and will establish effective internal and external consultation and communication processes. The Council will use its reserves to control the pace of change to suit the of the organisation and the community. Business critical posts are exempt from the recruitment freeze. Any significant impact on on service delivery is reviewed by Management Board on a regular basis.	Executive Director and Borough Treasurer	4	3	12

4	Impact of changes to the benefit system on income for the housing Department	5	4	20	75% of the Services income is received through Housing Benefit. At 2012 rents this will equate 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.	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 it's 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	3	15
5	Failure to deliver Waterfront Barrow regeneration programme	4	4	16	This will damage the profile of barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council has allocated sufficient capital funding to complete the site assembly. The project can progress in phases subject to the availability of funding.	Executive Director	3	4	12
6	Impact of pay review	4	4	16	Potential staff unrest. Increase in staff costs. Failure to agree the outcomes of the job evaluation process.	Following the implementation of the outcomes of the Council's spending review posts will be allocated salary scales based on the pay review. An equal pay audit has been undertaken and no significant risks have been identified.	Director of Corporate Services	4	3	12
7	Failure to reduce the cost of the cleansing contract to mitigate the long-term impact of the reduction in recycling reward scheme payments.	3	4	12	Cumbria County Council have reduced the value of recycling rewards to the statutory minimum which will reduce the Council's income by £250k per annum.	The Council is reviewing its waste collection and recycling service to reduce the cost of collections. The Council has been successful in its bid for Weekly Collection Support Scheme funding to allow us to retain weekly waste collections. This funding will cover the shortfall in recycling rewards until a more efficient waste collection service can be implemented	Assistant director of Community Services	3	3	9
8	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors. The Council retains the intellectual property and assets that will support continuity of services	Management Board	3	5	15
9	The Council incurs significant uninsured losses	3	4	12	This could have a detrimental impact on the Council's reserves and its reputation	The Council risk management arrangements will minimise uninsured losses.	Borough Treasurer	3	2	6

10	Level of sickness worsens	4	3	12	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to maintain the current relatively low levels. The impact of elevated levels would only be moderate.	Deputy Executive Director	4	3	12
11	Not having appropriate governance arrangements in place	2	5	10	The Council may lose focus on the purpose of the authority and the wider outcomes for the community	The Council continues to monitor and strengthen its governance arrangements. These include: Audit and scrutiny functions. Treasury management Asset management Resource management Performance management Risk management	Deputy Executive Director	2	3	6
12	Failure to maintain H&S arrangements	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Board has strengthened the Council's H&S arrangements.	Deputy Executive Director	2	3	6
13	Failure of ICT systems	1	4	4	Failure of ICT systems may adversely affect service delivery	The Council has a disaster recovery strategy in place.	Deputy Executive Director	1	3	3

Operational Risk Register November 2012

Inherent risk score							Residual risk score			
Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score	
1	Failure to achieve regulatory compliance	3	5	15	Qualification of accounts leading to a potential loss of funding. Increase in audit costs to cover additional work. Potential loss of income	Compliance with the Code of Accountancy Practice. Qualified staff. Financial checks by Internal Audit.	Borough Treasurer	2	5	10
2	Incidents of fraud, bribery or corruption	2	2	4	It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.	Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit	Borough Treasurer	1	2	2
3	Data management and system integrity	2	5	10	Unable to pay housing and Council Tax benefits. Unable to pay staff and members. Unable to pay suppliers. Delay in receipting	Data is backed up using a separate system. We have a mechanism for processing manual transfers at the bank.	Borough Treasurer	2	4	8
4	Disaster recovery	2	5	10	Unable to carry out normal business.	We have the facility to access systems remotely. Electronic systems are backed up and hard copies are scanned in. We keep an electronic record of all paper copies.	Borough Treasurer	2	4	8
5	Pandemic (influenza)	1	5	5	Mass fatalities will challenge the capacity of the crematorium and the cemetery.	We have an emergency cremation and burial plan. We have the capability of extending working hours. We can reduce the length of services	Assistant Director of Community Services	1	4	4

6	Failure of pool equipment	1	3	3	Closure of the pool resulting in lack of service provision and loss of income.	We carry out regular maintenance on the pool equipment and carry out routine monitoring. We have a repair contract in place.	Assistant Director of Community Services	1	3	3
7	Vandalism to recreational facilities	2	3	6	Closure of facilities. Injury to the public.	Regular inspection and maintenance of the facilities. Temporary closure to allow repairs to be carried out.	Assistant Director of Community Services	2	3	6
8	Industrial action by cleansing contractor staff or protracted adverse weather situation.	3	3	9	Failure to remove refuse and litter. Public dissatisfaction with the service. Public health risk.	The Council has agreed an adverse weather plan with the contractor. Protracted industrial action is covered in the contract.	Assistant Director of Community Services	3	3	9
9	Impact of changes to the benefit system on income for the housing Department	5	4	20	75% of the Services income is received through Housing Benefit. At 2012 rents this will equate 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.	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 it's Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected.	Housing Manager	5	3	15
10	Capacity to continue to deliver the agreed upgrades to the housing stock and infrastructure	3	3	9	The majority of cyclical upgrade programmes are delivered through Cumbria Housing Partners. The value of work delivered through this arrangement maybe restricted going forward	Consider and review our relationship with the partnership and consider alternative routes for delivery.	Housing Manager	5	3	15

11	To ensure the continued delivery of a responsive repairs service through the current Contract arrangements	3	3	9	Failure to deliver a range of services including responding to day to day repairs, gas servicing, void repairs and 24/7 emergency response service	work in partnership with Contractor to ensure the successful delivery of the Contract	Housing Manager	2	5	10
12	To respond to potentially or homeless residents of the Borough	2	3	6	residents become homeless	to develop a Homeless Strategy to ensure responsive and timely services are available	Housing Manager	2	3	6
13	Failure of service critical plant such as Utilities, Heating - AHU, Fire protection, at venue or commercial property.	3	3	9	Total or partial closure of venue	Service contracts in place with contractors on emergency call out if required.	Assistant Director of Regeneration and Built Environment	2	3	6
14	Failure of localised plant such as Lifts, Doors, Lighting, or Air Conditioning	4	2	8	Partial closure of venue facility	Service contracts in place with contractors on emergency call out if required.	Assistant Director of Regeneration and Built Environment	2	2	4
15	Non compliance with Approved Code of Practice for venue maintenance due to budget constraints. Eg service frequencies reduced to less than recommended frequency.	2	4	8	Legal prosecution if harm or loss is caused during the period of maintenance to less than ACOP standard.	List of spend priorities to identify that frequencies slip in lower risk areas such as electrical surveys to 6 yearly instead of 5 yearly.	Assistant Director of Regeneration and Built Environment	2	4	8
16	Failure of Ormsgill Reservoir	2	5	10	Severe Flooding of most of central Barrow	Water levels monitored weekly and Annual engineer inspections undertaken.		1	5	5
17	Legal challenge to Procurement of contracts	2	3	6	Unexpected legal costs and fines. Potentially no agreed contract to cover service due to previous contract lapsing.	Training of staff involved in high value procurement and audit checklists.	Assistant Director of Regeneration and Built Environment	1	3	3

18	Bankruptcy of service contractor leading to no contracted service provision.	3	3	9	No maintenance leading to plant failure and partial closure of a venue. Emergency repair costs and redirection of resources to carry out emergency tender.	service providers of High dependency contracts are vetted for financial stability by questionnaire and bank reference prior to shortlisting for tender.	Assistant Director of Regeneration and Built Environment	2	3	6
19	Unable to meet demand to regulate dangerously sub-standard residential property using the Council's obligations under the Housing Act 2004	3	4	12	Serious harm or death occurring to a member of the public in premises where the Council has failed to regulate effectively. Enforcement resources are very limited and demand is high. It is not always possible to prosecute even where serious offences have been committed. If staff absence became an issue there is a real risk of failure to meet the Council's statutory obligations.	Risk-based management of demand. Effective back up resources made available to cover for staff turnover or absence.	Assistant Director of Regeneration and Built Environment	1	4	4
20	Being designated an underperforming authority and having planning powers removed and losing planning fee income	3	4	12	Having planning powers removed and losing planning fee income. If the authority is designated as a poor performing authority, there would be a loss of income due to the fact that the Planning Inspectorate would receive the fees payable.	Ensure performance on major planning applications is maintained	Assistant Director of Regeneration and Built Environment	2	4	8
21	Infectious disease/food poisoning investigations	3	5	15	Unable to take lead role where necessary of the Outbreak Control Team	Review Departmental Structure	Assistant Director of Regeneration and Built Environment	2	5	10
22	Investigation of Fatalities/Major Accidents	3	4	12	Response time compromised	Review Departmental Structure	Assistant Director of Regeneration and Built Environment	2	4	8

23	Food Safety Enforcement	4	3	12	The Food Standards Agency sets targets for inspections of food premises and requires annual report to assess performance	Employ Consultant in the interim + Review Departmental Structure	Assistant Director of Regeneration and Built Environment	1	3	3
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		Part One
AUDIT COMMITTEE		(D) Agenda Item 10
Date of Meeting: 7th March, 2013		
Reporting Officer: Policy Review Officer		
<p>Title: Code of Corporate Governance</p> <p>Summary and Conclusions:</p> <p>Provide Members with an updated version of the Code of Corporate Governance.</p> <p>Recommendations:</p> <p>Members are invited to endorse the updated Code of Corporate Governance and agree that it can be published on the Council's website.</p>		

Report

The Code of Corporate Governance for 2013 is attached as **Appendix 3** there have not been any significant changes to the code since 2012.

Background Papers

Nil



Local Code of Corporate Governance 2013

Author	Chief Executive
Date published	April 2008
Latest review	February 2013
Review date	January 2014

Endorsed by Audit Committee March 2013

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Version control: changes to previous publication.

The code has been reviewed and there are not any significant changes.

Introduction

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

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

Background

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

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

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

Governance

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

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

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

Responsibilities

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

Full Council is responsible for:

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

Executive Committee responsible for:

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

Management Structure from 1st April 2012

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

Deputy Executive Director (Monitoring Officer)
Borough Treasurer
Assistant Director of Community Services
Assistant Director of Regeneration and the Built Environment
Housing Manager

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

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

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

In pursuance of this principle the Council will:

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

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

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

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

In pursuance of this principle the Council will:

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

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

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

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

In pursuance of this principle the Council will:

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

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

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

In pursuance of this principle the Council will:

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

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

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

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

In pursuance of this principle the Council will ensure:

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

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

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

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

In pursuance of this principle the Council will ensure:

STAMFORD GRANTHAM BOURNE THE DEEPINGS

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

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

Annual Review of Corporate Governance

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

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

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

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

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

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

AUDIT COMMITTEE	(D) Agenda Item 11
Date of Meeting: 7th March, 2013	
Reporting Officer: Borough Treasurer	
Title: Certification Work Report 2011-2012	
Summary and Conclusions:	
The Certification Work Report is produced by the External Auditor following the completion of their audit for each financial year. The External Auditor will present the report to Members.	
Recommendations:	
Members are recommended to:	
<ol style="list-style-type: none">1. Receive the Certification Work Report 2011-2012;2. Raise any questions or concerns with the External Auditor; and3. Approve the Action Plan contained in the report.	

Report

The Certification Work Report 2011-2012 is attached at **Appendix 4** and will be presented to Members by the External Auditor.

Background Papers

Nil



Barrow-in-Furness Borough Council

Certification work report 2011/12

February 2013

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1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified 4 claims and returns for the financial year 2011-12 with an overall value of £49.9 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that all work reported in this certification report, with the exception of the Housing and Council Tax Benefit scheme claim, was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the combined results of your previous auditors' work and our work.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in more detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment and where full reliance cannot be placed, we carry out detailed testing

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	All the of claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor Amendments and qualifications	The 2011-12 Housing Benefit and Council Tax Benefit Subsidy Claim was once again qualified. The Council needs to improve its quality assurance arrangements working with Liberate as the service provider to reduce the level of errors made in benefit payments.
Supporting working papers	Supporting working papers for the claims and brauns were good which enabled certification within the set deadlines. Internal Audit carried out housing benefit and council tax benefit testing on which we placed reliance and therefore kept our certification fees as low as possible.

The way forward

- 1.8 We have made 1 overarching recommendation to further improve the quality control arrangements on processing of the housing benefit and council tax benefit claims, as outlined in Appendix C.
- 1.9 Implementation of this agreed recommendation will assist the Council in compiling accurate and timely Housing Benefit and Council Tax Benefit claims for certification. This will reduce the risk of penalties for late submission, potential repayment of grant and additional certification fees.

Acknowledgements

- 1.10 We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

February 2013

2 Results of our certification work

Key messages

- 2.1 We have certified 4 claims and returns for the financial year 2011-12 with an overall value of £49.9 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011-12		Achievement in 2010-11		Direction of travel
		No.	%	No.	%	
Total claims/returns		4	100%	7	100%	↓
Number of claims submitted on time	100%	4	100%	7	100%	↓
Number of claims certified on time	100%	4	100%	7	100%	↓
Number of claims certified with amendment	0%	1	25%	4	57%	↓
Number of claims certified with qualification	0%	2	50%	2	29%	↑

- 2.3 This analysis of performance shows that:
- All claims and returns requiring certification in 2011-12 were submitted and certified on time.
 - A greater proportion of claims and returns were subject to amendment in 2011-12 however the actual number of claims being amended reduced.
 - A reduced number and proportion of claims and returns were subject to a qualification letter in 2011-12.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 Where we have identified significant matters or opportunities for improvement in the compilation of the Housing Benefit and Council Tax Benefit claim which is summarised below and the related recommendation is included in the action plan at Appendix C.

- 2.6 We charged a total fee of £8,983, not including VAT, for the certification of claims and returns in 2011-12 and £1,108 for compiling this report. In addition, your previous auditors the Audit Commission, charged a total fee of £28,949, not including VAT. Details of fees charged for specific claims and returns are included at Appendix B.

Significant findings

- 2.7 The following significant findings were identified in relation to the management arrangements and certification of individual grant claims and returns:

Certification of Housing and Council Tax Benefit Subsidy Claim

- 2.8 The Housing and Council Tax Benefit Subsidy claim is the largest claim or return that requires certification. Income from the Department of Work and Pensions ("the DWP") in respect of the national Housing and Council Tax Benefit scheme represented around 45% of the total income received by the Council in 2011-12.
- 2.9 Certifying the Housing and Council Tax Benefit Subsidy Claim involves testing a sample of benefit cases to confirm that the Council has paid the correct amount of benefit to claimants, and subsequently claimed the correct amount of subsidy. Where errors are identified in the initial sample of cases we are required to undertake additional testing on those areas affected, and report the errors found to the DWP in a qualification letter.
- 2.10 Significant errors were identified in 2011-12 and a qualification letter has been issued to the DWP. The errors identified cases were claimants have been underpaid or overpaid due to errors made by the Council. These errors arose as a result of inputting incorrect details of claimant income or the dates of a claim, and/ or other cases were overpayments raised by the Council had been misclassified.
- 2.11 The number and value of errors in 2011-12 has reduced compared with 2010-11. The errors were similar in nature to those identified in previous years. The details of the errors are shown at Appendix D. We acknowledge the volume of errors identified in 2011-12 compared with the previous year suggests that changes made by the Council and the contractor, Liberata, to improve quality assurance arrangements are beginning to have an impact. However, the number and nature of all the errors identified indicates that, the Council needs to enhance its quality assurance arrangements further to minimise the occurrence of both under and overpayment of benefits.
- 2.12 The Council has a responsibility to ensure that claimants receive the benefits they are entitled to in accordance with the regulations set by the DWP. We identified 7 cases out of 205 cases tested in 2011-12, where claimants had been underpaid.

Other findings

- 2.13 The gross debit shown in the National Non Domestic Rates Return was amended, as a result of an incorrect deferred payments figure being included. This resulted in the contribution to the NNDR Pool increasing by £11,575.
- 2.14 The Housing Revenue Account (HRA) Subsidy was amended as a result of an incorrect figure relating to the HRA self-financing being included within the claim. This reduced the housing subsidy made available to the Council by £87,177.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the council; or
- with a qualification letter (with or without agreed amendments incorporated by the council).

Where a claim is qualified because the council has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the council or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011/12

Claim or return	Final Value (£)	Amended?	Amendment Amount (£)	Qualified?	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing and council tax benefit scheme	26,883,214	Yes	268 reduction	Yes	33,490	31,761	Fee in 2011/12 is less than 2010/11.
National non-domestic rates return	21,585,906	Yes	11,755 Increase	No	1,798	3,863	Fee is more in 2011/12 as part A and B testing was required.
Housing Revenue Account Subsidy	1,186,198	Yes	87,177 Reduction	No	1,860	1,358	Fee in 2011/12 is less than 2010/11
Housing Capital Receipts Return	223,030	No	N/A	No	595	950	Fee is higher in 2011/12 as some additional testing was required.
Total values	49,878,348				37,743	37,932	

C Action plan

Claim or return	Recommendation	Priority (L/M/H)	Management response & implementation details
Housing and Council Tax Benefit Subsidy	Continue to improve quality assurance arrangements for housing and council tax benefit claims to reduce the level of errors in benefit payments.	H	<p>The outcome of this audit will be reported back to Liberata and a response requested by the Borough Treasurer. In April 2012 the Client Correction Process was implemented which means that errors identified by the Client Section are corrected by the original Benefit Assessors rather than the Quality Team – this ensures that the Assessors learn from their mistakes and improve going forward. Also from April 2012, Liberata introduced their own new checking and correction process and targeted checking of previously reported audit issues such as backdated awards, students, homeless cases. These changes should have a positive impact on the 2012-2013 DWP claim. The Client Section perform the mandatory checks on benefit assessments in accordance with the Contracting Out Order and the resources of the team reflect that requirement. Although there is a limit on any additional work that they are able to undertake, I will work with them to incorporate some ad-hoc targeted checking to provide further assurances to the Council.</p>

D Summary of HB and CTB Errors

Benefit Type	OverPaid	Underpaid	No impact or misclassification for subsidy purposes
Non HRA	4 cases with incorrect end dates.	1 case with an incorrect end date. 1 case with an incorrect start date.	
Rent Rebates	1 case where the claimant's income had not been provided for the period after the claimant ceased to receive Income Support. 1 case with incorrect earned income.	1 case with an incorrect state retirement pension 1 case with incorrect tax credit income	
Rent Allowance		1 case with incorrect tax credit income. 1 case with incorrect self-employed earnings.	1 case with incorrect earned income. 1 case with incorrect earned income for the non-dependent.
Council Tax benefit	1 case with an incorrect private pension. 1 case where the claimants income had not been identified when income support had ceased. 1 case where the claimants income had not been identified when the claimants Job Seekers Allowance had ceased. 1 case where the Authority had paid benefit after the claimant had left the property. 1 case where a single person discount had not been applied to the council tax account.	1 case where an incorrect figure was used for the claimant's pension.	1 case with an incorrect private pension 1 case with an incorrect figure for the claimant's pension.

Benefit Type	Overpaid	Underpaid	No impact or misclassification for subsidy purposes
Modified Scheme cases	No effect on payment, errors related to classification only-	No effect on payment, errors related to classification only	8 cases where the claimants' war pension had been incorrectly identified (value and/or frequency of payment) and as a result there is a misclassification of benefit between normal entitlement and entitlement as a result of operation of a modified scheme.

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AUDIT COMMITTEE	(D) Agenda Item 12
Date of Meeting: 7th March, 2013	
Reporting Officer: Borough Treasurer	
Title: Audit Committee Update	
Summary and Conclusions:	
An Audit Committee Update report has been produced by the External Auditor. The External Auditor will present the report to Members.	
Recommendations:	
Members are recommended to receive the update and raise any questions or concerns with the External Auditor.	

Report

An Audit Committee Update report is attached at **Appendix 5** and will be presented to Members by the External Auditor.

Background Papers

Nil



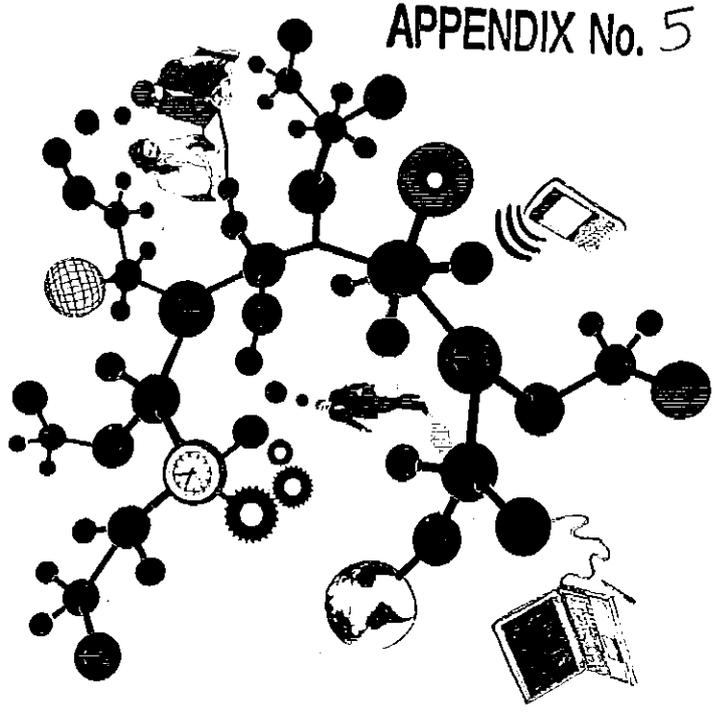
Audit Committee Update for Barrow Borough Council

Year ended 31 March 2013
21 February 2013

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APPENDIX No. 5

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 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 2012', '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 21 February 2013

Work	Planned 21 Feb 2013	Complete?	Comments
<p>2012-13 Accounts Audit Plan 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 2012-13 financial statements.</p>	31 March 2013	No	Work on-going
<p>Interim accounts audit Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • review of the Council's control environment • understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing. 	January 2013 to March 2013	No	Work on-going
<p>2012-13 final accounts audit including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the Council's accounts. 	July 2013 to September 2013	No	Not yet due to start.

Progress at 20 February 2013

Work	Planned 21 Feb 2013	Complete?	Comments
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2012/13 VfM conclusion will focus on the two specified areas of the Council's arrangements:</p> <ul style="list-style-type: none"> - Financial resilience; and - Challenging how it secures economy, efficiency and effectiveness. <p>We will follow-up areas of concern from previous VfM assessments including progress on strengthening contract administration.</p>	<p>Initial risk assessment in January 2013 with the detailed assessment in April 2011. This will be revisited and updated up to the date of our opinion on the 2012/13 Statement of Accounts.</p>	<p>No</p>	<p>Work on-going. A separate report on financial resilience will be prepared.</p>
<p>Other areas of work</p> <p>2011/12 Housing Benefits Claim:</p> <p>Following our qualification of the claim the Department of Works and Pensions has asked the Council to provide further information in support of the Claim. We have also been asked to review the information provided and the conclusions reached.</p>	<p>Deadline is 28 February 2013</p>	<p>No</p>	<p>We have been working with officers, and liaising with Internal Audit, to progress this matter.</p>

Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a consultation on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Challenge questions:

- Do you know your key risks?
- Have officers ensured the financial impact is fed into medium term financial plans?
- Have officers undertaken modelling of future business rates growth?
- Have officers given due consideration to pooling?
- Have officers considered the possible impact on council tax collection rates if they do reduce benefit entitlement in line with the funding reduction?
- Has your Borough Treasurer reviewed the proposed amendments to the 2013/14 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision is that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- Mutual Municipal Insurance – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect local authorities to recognise a creditor or, if the timing or amount of the payment is uncertain, a provision in their financial statements.
- Equal pay - in October 2012 the supreme court ruled that more than 170 former Birmingham City Council employees can make equal pay claims. This effectively extends the time workers have to bring equal pay compensation claims from six months to six years. We would expect local authorities to consider whether they have received any additional claims and, where the criteria set out in IAS 37 have been met, recognise a provision.
- Redundancy costs –the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.

Challenge question:

- Has your Borough Treasurer considered the need for additional provisions for the above matters?

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'

In December 2012, Grant Thornton published 'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary up to 21 Feb 2013 on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that relate to your authority and what action are you going to take?

Emerging issues and developments

Local government guidance

'Auditing the Accounts 2011/12' report

In December, the Audit Commission published 'Auditing the Accounts 2011/12'. The report summarises the results of auditors' work on the financial statements of both principal and small bodies. The key finding in the report is that bodies have improved the quality and timeliness of their financial reporting in 2011/12.

Challenge questions:

- Has your Borough Treasurer identified the key risks for the authority in preparing the 2012/13 financial statements?
- Has your Borough Treasurer produced a robust and adequately resourced timetable for the production and submission of its 2012/13 financial statements?
- Has this been discussed and agreed with the External Auditors?

'Striking a balance: improving councils' decision making on reserves'

In December, the Audit Commission published 'Striking a balance: improving councils' decision making on reserves.' The report covers the findings from research undertaken by the Audit Commission on the level of reserves that councils hold and the decisions councils make on them.

The report encourages English councils to focus more attention on their reserves. It suggests that management should be providing more comprehensive information on reserves to elected members and councils should provide greater clarity on the reasons for holding reserves. The report includes questions for elected members that will help them in their decision making and scrutiny roles.

Challenge questions:

- Are your officers providing you with the right information about your Council's reserves?
- Have you considered the findings of the report and identified where actions are required?

Emerging issues and developments

Local government guidance

'Tough Times: Councils' financial health in challenging times'

In November, the Audit Commission published 'Tough times 2012: Councils' financial health in challenging times.' This is the second report it has produced looking at how councils are dealing with the issues from the Spending Review and focuses on the financial health of councils.

The report finds that councils generally delivered on their planned savings, however, auditors reported that signs of financial stress were visible.

The financial challenges that the Council have been recognised. The Government is offering an Efficiency Support Grant to 7 Councils including Barrow. The Grant is intended to incentivise the Councils to make the reforms to reduce costs effectively and to put them on a sustainable footing going forward.

Challenge question:

- Have you considered the findings of the Audit Commission's report and any actions required?

'Protecting the public purse 2012'

In November, the Audit Commission published 'Protecting the public purse 2012: Fighting fraud against local government'. The report provides the results of the Audit Commission's annual survey of English local government bodies. It finds that local government bodies are targeting their investigative resources more efficiently and effectively. Local government bodies detected more than 124,000 cases of fraud in 2011/12 totalling £179m. It also reports that new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report includes a checklist for those charged with governance to use to review their counter-fraud arrangements.

Challenge questions:

- Have you considered the findings of the report?
- Are there any issues that could relate to your authority and how are these being dealt with?
- Have you reviewed your existing arrangements for tackling fraud?

If you have any fraud queries, talk to your audit manager to see how Grant Thornton could help.



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AUDIT COMMITTEE		Part One (D) Agenda Item 13
Date of Meeting: 7th March, 2013		
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 consider the final reports and raise any questions or concerns with the Head of Internal Audit.</p>		

Report

There are five final reports for consideration (**Appendix 6 to 10**) by Members:

1. Financial Information Systems (Appendix 6);
2. Council Tax (Appendix 7);
3. National Non Domestic Rates (Appendix 8);
4. Payables (Appendix 9); and
5. Receivables (Appendix 10).

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

For information the assurance and recommendations assigned to Internal Audit reports are set out below.

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 12-07
FINANCIAL INFORMATION SYSTEM

Executive Summary

Introduction

The Council's financial information and accounting system is administered and controlled by the Borough Treasurer's Department; its purpose is to provide complete and accurate financial information which supports sound financial management and the production of statutory year-end statements. The system operates on Oracle software and comprises receivables, payables, purchasing, general ledger and cash management modules.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test the internal controls over the Council's financial information system. 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 the operation of key controls. In addition, Internal Audit perform routine quarterly checks on control and 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 have therefore made no recommendations. Minor issues identified during our quarterly financial checks have been brought to management's attention during the course of the year.

During the audit, Internal Audit reviewed the one outstanding agreed recommendation made in audit report 10-10 dated May 2011; the recommendation has now been implemented.

Management Response

We have received a constructive management response from the 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 12-03
COUNCIL TAX

Executive Summary

Introduction

The Council's Council Tax service is administered by Liberata, using the Northgate iWorld system, as part of a long term contract awarded in 1998. The gross liability for 2012/13 is approximately £40m, which relates to 33,202 properties.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test the internal controls over the Council Tax system. The scope and objectives of the audit were discussed and agreed in advance with the Senior Revenues Technician.

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

Key Points
Substantial Assurance
One important issue
One minor issue

Audit Conclusion – *Substantial Assurance*

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

- The Council and Liberata should review the process of requesting and approving the write off of irrecoverable Council Tax debts to incorporate the following controls:
 - a) the production and maintenance of up to date documented procedures for the process;
 - b) submission to the Borough Treasurer of a detailed listing of proposed write offs to support the summary for approval;
 - c) greater detail (number and the year to which they relate) being recorded on the summary proposals;
 - d) retention of a full record of all individual debts proposed for bulk write off, including copies of all relevant reports;
 - e) reconciliation of the amount of arrears proposed for bulk write off to supporting records, with reconciliations being signed and dated by the preparer; and
 - f) checking that old debts proposed for bulk write off are not subject to an active arrangement to pay by instalments.

In addition, we have made the following Priority 3 recommendation:

- The Council should ensure that:
 - a) supporting documentation is maintained to confirm any Council Tax discount that is awarded, eg single occupancy review form, Doctor/College letter confirming eligibility; and
 - b) discount review forms are sent out in accordance with the set timetable.

Management Response

We have received a constructive response from the Senior Revenues Technician, accepting each of our 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 12-05
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 2,298 non-domestic properties in the Borough is around £58.0m, which produces a gross liability of £26.5m for 2012/13.

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 National Non Domestic Rates system. The scope and objectives of the audit were discussed and agreed in advance with the Senior Revenues Technician.

Key Points
Substantial Assurance
Two important issues
One minor issue

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 system, there are weaknesses which put some of the system objectives at risk. We have made two Priority 2 recommendations, as follows:

- Liberata should strengthen its procedures for the acceptance of agents acting on behalf of business ratepayers, to include, for example:
 - a) contacting the ratepayer directly when requested to accept an agent acting on its behalf, so that the ratepayer can confirm that the agent is genuinely authorised to do so;
 - b) notifying agents entering into new arrangements that refunds will only be made either directly to the ratepayer or to an agent's account held in the client ratepayer's name; and
 - c) confirming with the ratepayer, using an agent, that it is in order to make payment to the agent's client account when a refund, over a value agreed with the Council, is due to the ratepayer.
- 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;
- b) submission to the Borough Treasurer of a detailed listing of proposed write offs to support the summary for approval;
- c) greater detail (number and the year to which they relate) being recorded on the summary proposals;
- d) retention of a full record of all individual debts proposed for bulk write off, including copies of all relevant reports;
- e) reconciliation of the amount of arrears proposed for bulk write off to supporting records, with reconciliations being signed and dated by the preparer; and
- f) checking that old debts proposed for bulk write off are not subject to an active arrangement to pay by instalments.

In addition, we have made the following Priority 3 recommendation:

- The Council should ensure that schedules of rateable values from the Valuation Office are received regularly and retained.

Management Response

We have received a constructive management response from the Senior Revenues Technician, accepting each of our 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 12-16
ACCOUNTS PAYABLE

Executive Summary

Introduction

The payment of suppliers' invoices, rent allowances, business rate and council tax refunds is managed by the Borough Treasurer's Department, using the Accounts Payable module of the Council's Oracle Financial system. All payments processed by the Council are made by BACS.

The system currently holds live records for 2,461 suppliers and the following payments were made in the six months to 30 September 2012:

	Number	Amount (£000)
Suppliers	2,419	11,356
Rent Allowances	6,220	9,075
Council Tax & NNDR Refunds	932	450

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test the internal controls over the Accounts Payable system. 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

One previous recommendation

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system of control, there are weaknesses which put some of the system objectives at risk. We have made two Priority 3 recommendations, as follows:

- The Council should ensure that each invoice is either:
 - a) checked to the related purchase order, where one exists, and initialled to record that this check has taken place; or
 - b) stamped to indicate that there is no purchase order for the supply; and

- The Council should ensure that its records of Direct Debit mandates are kept up to date and include a timely confirmation from each cost centre manager that their expenditure is valid and appropriate.

Internal Audit also reviewed the agreed recommendation made in Audit Report 11-19, dated November 2011. The recommendation remains outstanding and relates to ensuring that all suppliers' invoices are paid promptly within agreed settlement terms.

Management Response

We have received a constructive management response from the Chief Accountant (Systems), accepting each 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 12-12
ACCOUNTS RECEIVABLE

Executive Summary

Introduction

Debtor accounts for income due to the Council, other than Housing Revenue Account income, are administered and controlled by the Borough Treasurer's Department, using the Accounts Receivable module of the Oracle financial system. Invoices are raised centrally by Borough Treasurer's staff, either upon receipt of an authorised Accounts Receivable Transaction Request Form, or imported electronically from departmental databases.

The Borough Treasurer's Department is responsible for the initial recovery of unpaid debts; if unsuccessful, relevant cases are referred to the law firm DWF (formerly Crutes) which operates a debt collection agency.

At 30 November 2012, the Council had raised 2,430 invoices with a value of approximately £2.7 million; the balance on the Receivables Ledger was £932,660. The writing off of irrecoverable debts is approved at the end of each year; in 2011/12, these amounted to £23,952.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test the internal controls over the accounts receivable system. The scope and objectives of the audit were discussed and agreed in advance with the Chief Accountant (Systems).

Audit work included a control evaluation of the system design, and testing 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 system of control, there are weaknesses, which may put some of the system objectives at risk. We have made two Priority 2 recommendations, as follows:

- The Council should ensure that all data and relevant documentation relating to Accounts Receivable transactions is complete, accurate and retained, in hard copy where appropriate, and in a central location.
- The Council should review its processes for the recovery of unpaid Accounts Receivable invoices to ensure that the procedure is effective and efficient.

Key Points
Substantial Assurance
Two important issues
Three minor issues
Three previous recommendations

In addition, we have made the following three Priority 3 recommendations:

- The Council should ensure that a report of outstanding invoices is produced and distributed to budget holders each month.
- The Council should regularly monitor arrangements to pay sundry debtor income by instalments to ensure that they are being consistently maintained.
- The Council should ensure that up to date documented procedures for the Accounts Receivable function are produced and reviewed regularly.

Internal Audit reviewed the outstanding recommendation made in the previous audit report 10-15, dated April 2011. The recommendation remains outstanding and relates to:

- The Council should consider reviewing the 'Instalments Spreadsheet' on a regular basis to ensure all details held are up to date and correct.

Internal Audit also reviewed the two outstanding recommendations made in audit report 09-14, dated May 2010. Both recommendations remain outstanding, as follows:

- The Council should ensure recovery action is performed in accordance with the Council's Accounts Receivable Recovery Process; and
- The Council should ensure that unrecovered debts are referred to DWF on a timely basis.

Management Response

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

Acknowledgement

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

AUDIT COMMITTEE	Part One (D) Agenda Item 14
Date of Meeting: 7th March, 2013	
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 2012 to 28th February 2013 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 Progress report; and 2. Raise any questions or concerns with the Head of Internal Audit. 	

Report

The Internal Audit Progress Report for the period 1st April 2012 to 28th February 2013 is attached at **Appendix 11** and will be presented to Members by the Head of Internal Audit.

Background Papers

Nil



BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to February 2013

2012/13

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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 28 February 2013, 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 1 April and 28 February 2013. 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 28 February 2013; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	27	1	14	12
Fully Accepted	27	1	14	12
Partly Accepted	-	-	-	-
Not Accepted	-	-	-	-

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

No Priority One recommendations have been made within the reporting period December 2012 to February 2013.

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

There have been no rejected Priority One recommendations within the reporting period December 2012 to February 2013.

3.2 PRIORITY TWO RECOMMENDATIONS

There have been no rejected Priority Two recommendations within the reporting period December 2012 to February 2013.

4. INTERNAL AUDIT COVERAGE:

APRIL – FEBRUARY 2013

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	ANNUAL AUDITS			
12-01	Income Collection	1	Final	Substantial
12-02	Housing and Council Tax Benefits	1	Commenced	
12-03	Council Tax	1	Final	Substantial
12-04	Performance Management	2		
12-05	Business Rates (NNDR)	1	Final	Substantial
12-06	Risk Management	1		
12-07	Financial Information System	1	Final	Unqualified
12-08	Budgetary Control	2	Final	Unqualified
12-09	Treasury Management	2	Final	Unqualified
12-10	Car Park Meter Income	2	Final	Substantial
12-11	Payroll (inc. Expenses)	2		
12-12	Accounts Receivable	2	Final	Substantial
12-13	Corporate Control/Governance	2		
12-14	Periodic Checks	2	In progress	
12-15	Procurement (inc. Ordering)	2		
12-16	Accounts Payable	2	Final	Substantial
12-17	Housing Rents	2	Final	Substantial
12-18	Standing Orders/Financial Regulations/Anti Fraud Policy	2	Findings produced	n/a
12-19	Housing Non-Routine Maintenance	2		

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	RISK ASSESSED SYSTEMS			
12-21	The Forum	3	Final	Substantial
12-24	Cemeteries and Crematorium	4	Final	Substantial
	DESIGNATED ANNUAL AUDIT ACTIVITY			
12-29	Receipt Book Checks		Ongoing	
	Community Organisations and Mayor's Account:	n/a		n/a
-	Hawcoat		Complete	
-	Abbotsvale		Complete	
-	Dalton Community Association		Complete	
-	Roosegate		Complete	
-	Barrow Playing Fields Users Association			
12-28	Mayor's Account		Complete	
-	Fraud Hotline	n/a	Ongoing	n/a
12-27	NFI Responsibilities	n/a	Ongoing	n/a
	IT ENVIRONMENT AUDITS	1		
-	Implementation Review		Complete	
IT 49	CoCo4.1 to Public Services Network		Draft	Substantial
IT 50	Internet and Email Controls		Commenced	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	CONTRACT AUDIT	1		
CR66	Arthur Street Demolition		Final	Substantial
CR70	Dalton Multi-Use Games Area		Final	Restricted
	<i>2011/15 CHP Housing Contracts:</i>			
CR71	Bathroom Improvements		Findings	
CR72	Heating Improvements		Findings	
CR73	Kitchen Improvements		Findings	
CR74	Painting Improvements		Findings	
CR75	Responsive Repairs		Findings	
CR76	Rewire Improvements		Findings	
CR77	Proposed Soccer Centre, Park Leisure Centre		In Progress	
CR78	Adaptations		Findings	
CR79	102 Abbey Road		Draft	Substantial
CR81	2011/15 CHP Roofing Improvements		Commenced	
CR82	North Central Group Repair Scheme		Commenced	
CR83	Dock Museum New Car Park and Access		Stage 1 Findings Produced	
	AUDIT MANAGEMENT			
	<i>Implementation Review:</i>	n/a		n/a
11-27	Cemeteries & Crematorium		Complete	
08-07	Performance Management		Complete	
09-01	Performance Management		Complete	
10-22	Licensing		Complete	
11-14	Payroll		Complete	
11-25	Insurance		Complete	
IT 25	Data Protection Act Implementation		Complete	

4. 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
IT 49	CoCo4.1 to PSN (Public Services Network)	15 February 2013
CR79	102 Abbey Road	9 January 2013

APPENDIX 2 – RESTRICTED ASSURANCE AUDITS

Ref	Audit	Recommendations			Previous Recommendations			Total	Date Issued
		P1	P2	P3	P1	P2	P3		
CR70	Dalton Multi-Use Games Area	1	3	0	N/a			4	30 November 2012

AUDIT COMMITTEE		Part One (D) Agenda Item 15
Date of Meeting: 7th March, 2013		
Reporting Officer: Borough Treasurer		
<p>Title: Internal Audit Annual Plan 2013-2014</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Annual Plan 2013-2014 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:</p> <ol style="list-style-type: none"> 1. Receive and consider the Internal Audit Annual Plan 2013-2014; and 2. Raise any questions or concerns with the Head of Internal Audit. 		

Report

The Internal Audit Annual Plan 2013-2014 is attached at **Appendix 12** and will be presented to Members by the Head of Internal Audit.

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2013/14

Audit	Significance Band	Directorate	Days
ANNUAL AUDITS			
Income Collection	1	Borough Treasurer's	15
Housing and Council Tax Benefits	1	Borough Treasurer's	30
Council Tax	1	Borough Treasurer's	12
Business Rates (NNDR)	1	Borough Treasurer's	10
Risk Management	1	Corporate Services	8
IT Environment Audits	1	Corporate Services	25
Contract Audit	1	Corporate Services	40
Contract Management Checklist Coverage	1	Corporate Services	40
Performance Management	2	Corporate Services	7
Budgetary Control	2	Borough Treasurer's	9
Treasury Management	2	Borough Treasurer's	7
Car Park Meter Income	2	Community Services	10
Payroll (inc. Expenses)	2	Borough Treasurer's	15
Accounts Receivable	2	Borough Treasurer's	10
Corporate Control/Governance	2	Corporate Services	5
Main Accounting System & Periodic Controls	2	Borough Treasurer's	32
Procurement (inc. Ordering)	2	Corporate Services	15
Accounts Payable	2	Borough Treasurer's	10
Housing Rents	2	Housing	12
Standing Orders/Financial Regs/Anti Fraud	2	Corporate Services & Borough Treasurer's	10
Housing Non Routine Maintenance	2	Housing	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 Directorates	50
DESIGNATED ANNUAL AUDIT ACTIVITY			
VFM Reviews/Cash Floats/Receipt Books	-		20
Community Organisations (inc. Mayor's Account)	-		20
Fraud Hotline	-		15
Funding Checks/Grant Claims	-		10
NFI Responsibilities	-		25
AUDIT MANAGEMENT			
Implementation Review	-		12
Probity	-		10
Audit Administration	-		10
Audit Committee	-		6
Audit Management/Planning/Reporting	-		12
External Audit Liaison	-		3
TOTAL AUDIT DAYS			530

AUDIT COMMITTEE		Part One (D) Agenda Item 16
Date of Meeting: 7th March, 2013		
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:</p> <ol style="list-style-type: none"> 1. Approve the amendment to Section 21 of the Financial Regulations; and 2. Note the review. 		

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.

Both of these have been reviewed and there are no amendments to be made to the Contract Standing Order at this time and one amendment is required to the Financial Regulations.

Financial Regulations, Section 21 needs to be updated for External Audit, and is attached at **Appendix 13**.

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

Background Papers

Financial Regulations
Contract Standing Orders

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 Borough Treasurer will facilitate the co-ordination of the work of internal and external audit together with ensuring appropriate consideration of External Audit reports by the Audit Committee.
2. External 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 provide 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.

AUDIT COMMITTEE		Part One (D) Agenda Item 17
Date of Meeting: 7th March, 2013		
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 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.

Both of these policies have been reviewed and there are no amendments to be made at this time.

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

Anti-Fraud and Corruption Policy
Whistle Blowing Policy

AUDIT COMMITTEE		Part One (D) Agenda Item 18
Date of Meeting: 7th March, 2013		
Reporting Officer: Borough Treasurer		
<p>Title: Update on 2012-2013 Accounts Closedown</p> <p>Summary and Conclusions:</p> <p>This report contains an update on the preparations for the 2012-2013 Accounts Closedown.</p> <p>Recommendations:</p> <p>Members are recommended to note the report.</p>		

Report

Members will be aware that the end of the Council's financial year is 31st March. As in previous years we have drawn up a timetable for the accounts closedown. The timetable allows management to oversee the process and intervene where and when necessary. The timetable is monitored and used for planning the next year's accounts closedown.

The accounts will be closed and the Statement of Accounts authorised for issue by 28th June, 2013. The electronic working papers will be provided to the External Auditors on 1st July, 2013. Supporting documents will be available from 1st July, 2013. The External Auditors will be on site for the audit of the accounts from 15th July, 2013, to 7th August, 2013.

The Code of Practice on Local Authority Accounting in the United Kingdom 2012-2013 sets out the accounting requirements and proper practices for preparing the Statement of Accounts. The main changes for 2012-2013 that affect the Council are:

- Housing Revenue Account – the first year of the self-financing regime. There are transitional arrangements applying for a five year period which permit the reduction of the impact of depreciation on the bottom line for the HRA. The Council will adopt the transitional arrangements.
- Conceptual Framework – the International Accounting Standards Board is currently updating this and has issued the first phase. The framework sets out the concepts that underline the preparation and presentation of financial statements in order to simplify them for external users of the accounts.

- Management Commentary – the explanatory foreword to the Statement of Accounts will take into account the relevant provisions of the Government’s Financial Reporting Manual.
- Other changes in the code for 2012-2013 include:
 - Financial instruments
 - Exit packages
 - Non-current assets

There are a number of movements within the Council’s financial reserves that were agreed with the 2013-2014 budget that will appear within the Statement of Accounts for 2012-2013. The main item is the liability that the Council has as a member of the Municipal Mutual Insurance Scheme of Arrangement. Reserves have been identified for a provision to be created.

The Annual Governance Report for 2011-2012 contained an Action Plan and one recommendation concerned the risk and reward associated with holding all deposits with one banking institution. I have reviewed the security, liquidity and yield of the market where the Council’s Treasury Management Policy authorises deposits to be placed. Short term deposits of temporary surplus cash have been placed with various financial institutions, since quarter three of this financial year.

The current progress of the closedown for 2012-2013 is on schedule and is summarised below:

- Timetable drawn up
- “Packs” for individual departments prepared
- Related party template letter reviewed
- Authorisation sent to pension scheme actuary
- 4 Accountants attended External Audit Workshop
- Working paper directories set up and template papers brought forward
- Statement of Accounts document brought forward and being updated
- Data/information requests prepared
- Accountants briefed and ready to visit Managers for closedown meeting

Background Papers

Nil

AUDIT COMMITTEE		Part One (D) Agenda Item 19
Date of Meeting: 7th March, 2013		
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 2013-2014. 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 2013-2014.

The items listed within the plan are not exclusive as other items can be brought to 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.

The Audit Committee Work Plan is presented on the following pages and Members are recommended to agree the current plan.

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.	External Auditor	Annual Governance Report		✓		
To consider External Audit reports.	External Auditor	Audit Plan	✓			
		Claims and Returns Annual Report				✓
		Annual Audit Letter			✓	
		Any other reports as they arise				
To review and approve the Statement of Accounts.	Borough Treasurer	Going Concern	✓			
		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, bribery and corruption policies.	Borough Treasurer	Annual Review				✓
To consider reports 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	✓			
Training for Audit Committee Members	Borough Treasurer	No Report	Training in early June			
To consider and approve the Annual Governance Statement.	Policy Review Officer	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		✓		