

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 12th December, 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 26th September, 2013 (copy attached) (Pages 1-11).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Annual Audit Letter for the Year ended 31st March, 2013 (Page 12).
- (D) 8. Certification Report 2012-2013 (Page 13).

- (D) 9. Audit Committee Update (Page 14).
- (D) 10. 2013-2014 Accounts Update (Pages 15-17).
- (D) 11. Fraud and Corruption Survey 2012-2013 (Page 18).
- (D) 12. Internal Audit Final Reports (Pages 19-20).
- (D) 13. Internal Audit Progress Report (Page 21).
- (D) 14. Risk Management (Pages 22-23).
- (D) 15. Code of Corporate Governance (Page 24).
- (D) 16. Monitoring Priority 1 Recommendations (Pages 25-28).

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

Membership of Committee

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

For queries regarding this agenda, please contact:

Paula Westwood
Democratic Services Officer (Member Support)
Tel: 01229 876322
Email: pwestwood@barrowbc.gov.uk

Published: 4th December, 2013

AUDIT COMMITTEE

Meeting Thursday 26th September, 2013
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman), Barlow, Murray, Sweeney and Thurlow.

Also present were Gina Martlew, Jackie Bellard and Len Cross from Grant Thornton and Keith Jackson from Internal Audit.

16 – Declarations of Interest

Councillor Burns declared an other interest in all items relating to Cumbria County Council as she was a Member of Cumbria County Council.

17 – Minutes

The Minutes of the meeting held on 27th June, 2013 were taken as read and confirmed.

18 – Apologies for Absence/Attendance of Substitute Members

Apologies for absence had been received from Councillors Pointer (Vice-Chairman) and Doughty.

Councillors Barlow and Sweeney had attended as substitutes for Councillors Doughty and Pointer respectively.

19 – Chairman's Announcement

The Chairman advised the Committee that Gina Martlew of Grant Thornton was retiring and would be replaced by Jackie Bellard. On behalf of the Committee she wished her a happy retirement and thanked her for all the work that she had done in Cumbria over the years.

20 – Review of the Council's Arrangements for Securing Financial Resilience, for the year ended 31st March, 2013

The Borough Treasurer reported that the review of the Council's Arrangements for Securing Financial Resilience for the year ended 31st March, 2013 had been produced by the External Auditors.

Three key points for consideration had been highlighted in the report and Management had provided a response and agreed a timescale to action those as detailed in the table overleaf.

Area of Review and Key Points for Consideration	Management Response
<p>Key Indicators of Performance – Management should keep under review the extent to which the Council had been successful in achieving a reduction in the number of days lost due to sickness.</p>	<p>From 2013-14 quarterly reports had been presented to Management Board which indicated the number of days lost for sickness, showing short term and long term sickness along with other relevant information. The Council's Occupational Health Service would be delivered by a new provider from October 2013.</p>
<p>Strategic Financial Planning – The Medium Term Financial Plan required updating to take account of the receipt of the Efficiency Grant from DCLG and the recently approved Workforce Strategy.</p>	<p>The Medium Term Financial Plan would be fully updated as part of the 2014-2015 budget setting process. The Efficiency Support Grant and the Workforce Strategy would be incorporated into that update. The impact on the current Medium Term Financial Plan would be reported to Members as part of the Council Finances reports during 2013-2014.</p>
<p>Financial Control – The Borough Treasurer and her staff were encouraged to complete the planned review of budget monitoring arrangements to ensure Officers and Members had the information they needed to monitor the Council's financial performance and financial position.</p>	<p>The review would identify a meaningful level of Management to report against, in addition to the current overall General Fund position. Direct costs would be reported against this level as part of the Council Finances reports.</p>

It was noted that progress on the above-mentioned issues would be reported to this Committee in due course.

Gina Martlew of External Audit attended the meeting to present their report to the Committee. A copy of which had been appended to the Borough Treasurer's report.

It was noted that the External Auditor's work supporting their Value for Money (VfM) conclusion, as part of the statutory external audit, included a review to determine if the Council had proper arrangements in place for securing financial resilience.

In doing so, they had considered whether the Council had robust financial systems and processes in place to manage its financial risks and opportunities, and to secure a stable financial position that enabled it to continue to operate for the foreseeable future. They had carried out their work in discussion and agreement with Officers and completed it in such a way as to minimise disruption to them.

The definition of foreseeable future for the purposes of the financial resilience review was 12 months from the date of the report. They had reviewed the financial resilience of the Council by looking at:

- Key indicators of financial performance;
- Its approach to strategic financial planning;
- Its approach to financial governance; and
- Its approach to financial control.

Full details on each of those areas had been provided in detail within the report and had been summarised as follows:-

Key Indicators – Overview of Performance

<u>Area of Focus</u>	<u>Assessment</u>
Liquidity	Green
Borrowing	Green
Workforce	Amber
Performance against Budgets: Revenue and Capital	Green
Reserve Balances	Green
Cost of Housing Benefit/Council Tax Benefit	Amber

Strategic Financial Planning – Medium Term Financial Strategy

<u>Area of Focus</u>	<u>Assessment</u>
Focus of the Medium Term Financial Plan	Green
Adequacy of Planning Assumptions	Green
Review Processes	Green
Responsiveness of the Plan	Amber

Financial Governance – Understanding and Engagement

<u>Area of Focus</u>	<u>Assessment</u>
Understanding the Financial Environment	Green
Executive and Member Engagement	Green
Budget Reporting: Revenue and Capital	Green
Adequacy of Other Committee/Cabinet Reporting	Green

Financial Control – Internal Arrangements

<u>Area of Focus</u>	<u>Assessment</u>
Budget Setting and Monitoring – Revenue and Capital	Amber
Performance against Savings Plans	Green
Key Financial Accounting Systems	Green

Financial Control – Internal and External Assurances

<u>Area of Focus</u>	<u>Assessment</u>
Finance Department Resourcing	Green
Internal Audit Arrangements	Green
External Audit Arrangements	Green
Assurance Framework/Risk Management	Green

It was noted that to assess the level of performance the External Auditors had used a Red/Amber/Green rating with the following definitions:-

Red – High Risk. The Council’s arrangements were generally inadequate or may have a risk of not succeeding.

Amber – Potential Risks and/or Weakness. Adequate arrangements and characteristics were in place in some respects, but not all. Evidence that the Council was taking forward areas where arrangements needed to be strengthened.

Green – Arrangements met or exceeded adequate standards. Adequate arrangements identified and key characteristics of good practice appeared to be in place.

The overall conclusion was that the Council had proper arrangements to secure financial resilience.

RESOLVED:- (i) To receive the External Auditor’s report; and

(ii) To agree the Management responses outlined in the table above.

21 – Statement of Accounts 2012-2013

The Borough Treasurer reported that the Accounts and Audit Regulations required the draft Statement of Accounts to be made available to the External Auditors by 30th of June each year. This date had been met and the Statement had been placed on the Council’s website by that date. The Statement of Accounts for 2012 to 2013 must be approved by this Committee before 30th September, 2012. The Statement of Accounts had been appended to the report. The report also contained the Annual Governance Statement for separate consideration along with the Letter of Representation for approval.

It was noted that the External Auditor was required to report to this Committee on the conclusions of the audit, noting any adjustments made to the draft accounts as published. This was the Audit Findings report which had also been appended to the report. Subject to Members agreeing the recommendations in the Action Plan (see 1 and 2 below) and the Letter of Representation, the External Auditor would give an unqualified audit opinion.

1. Reviewing the approach to preparing the Cash Flow Statement to ensure that all amounts reported were derived from the correct source; and
2. Consider the content and the structure of the Explanatory Foreword, as part of the 2013-14 closedown process, to ensure that the foreword provided a 'concise and understandable guide for the reader of the most significant aspects of an authority's financial performance' as per CIPFA guidance.

It was noted that the External Auditor's overall conclusion was that the Council was responding well to the challenges of the Local Government Finance Settlement, delivering savings and targeting its resources effectively. On the basis of the Auditor's work, and having regard to the guidance on the specified criteria published by the Audit Commission, they were satisfied that in all significant respects the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March, 2013.

The Borough Treasurer reported that the External Auditor had identified four misstatements in the Statement of Accounts for 2012-2013 that had been corrected and incorporated into the Statement presented for approval. There was a further misstatement that had not been corrected which is set out in more detail in the 'Changes to the Accounts' section below.

There were two recommendations made by the External Auditor, relating to the Cash Flow Statement and the Explanatory Foreword. The Borough Treasurer had provided a response with an agreed timescale to those actions.

Members had been advised that none of the misstatements materially impacted on the net revenue position, or the net worth of the Council.

The External Auditor's team had undertaken the audit in a professional and consultative manner. The Borough Treasurer reported that she was happy with the service provided and her staff had worked constructively with the External Auditor and her team.

The Statement of Accounts

The audited Statement of Accounts had been appended to the report.

The Borough Treasurer reported that the Statement of Accounts was complex and not easy for the layman to follow. A specific session for Members had been held on 23rd September, 2013, to go through the Accounts, explain the key points and provide Members with the opportunity to raise queries. In approving the Statement of Accounts, Members had been asked to undertake a review using their knowledge of the Council together with the External Auditor's report and raise any questions.

The key areas to review in the Statement of Accounts were:-

Explanatory Foreword – this explained the key issues in the accounting statements and explained their purpose.

Comprehensive Income and Expenditure Statement – this showed a net deficit of £9,124k. Excluding the actuarial loss on the pension assets/liabilities of £4,581k and an increase in the value of property, plant and equipment of (£779k), the net deficit of £5,322k was the combined result for the General Fund and the Housing Revenue Account [(Surplus)/Deficit on the Provision of Services].

The separated result for General Fund was a deficit of £7,927k and for the Housing Revenue Account a surplus of (£2,605k).

The real General Fund deficit was £289k and the reasons for this difference of (£7,638k) were the statutory adjustments to the accounts which reduced the deficit by (£7,328k), combined with the use of reserves of (£310k). The statutory adjustments primarily related to capital and asset charges of (£8,605k), the transfer of asset sale proceeds of £341k net of their carrying value, and the provision for the repayment of external debt of £935k.

For the Housing Revenue Account the real surplus was (£469k), the difference of £2,136k being the statutory adjustments relating primarily to the provision for the repayment of external debt of £1,740k and the transfer of asset sale proceeds of £327k net of their carrying value.

Balance Sheet – the Council's net worth had decreased from £92,988k to £83,864k. This was largely explained by the actuarial loss on the pension assets/liabilities of (£4,581k), a decrease in the carrying value of property, plant and equipment of (£9,878k), the increase in provisions of (£800k) and these are offset by the increase in short term investments of £6,506k.

A summary of the variances against the original budgets for the General Fund and the Housing Revenue Account had been set out in the Explanatory Foreword, Section j on page 3 of the Statement of Accounts.

Changes to the Accounts

Adjusted misstatements

The main changes to the draft accounts agreed with the External Auditors were:-

Cash Flow Statement – the cash flows relating to operating, investing and financing activities were not attributed correctly.

Explanatory Foreword – the presentation and content was reviewed to provide a clear and concise summary of the Council's financial performance and position.

Lease Disclosure Note – Waterside House lease income was accidentally omitted in the compilation of the figures for the disclosure note.

Segmental Reporting – the income relating to the Forum was shown net of the expenditure instead of gross in error.

These had all been corrected and do not have any impact on the net revenue position, or the net worth of the Council.

Unadjusted misstatements

The provision relating to the Municipal Mutual Insurance Scheme of Arrangement (MMI) had been over-estimated.

A provision had been made when an event had taken place that gave the Council a legal or constructive obligation that probably required settlement and a reliable estimate could be made of the amount of the obligation. In the case of the MMI provision, the Scheme of Arrangement was triggered in 2012-2013 and the amount of the obligation was £414k based on the information available from the Scheme Administrator. This position had been reported to the Executive Committee in January, 2013, and resources had been identified to cover the potential impact of the Scheme being triggered and the subsequent claims that may be lodged against the Council should the Scheme be wound up.

The Borough Treasurer advised that she had revisited the provision following a review by the External Auditor and she agreed that the provision should be limited to the levy indicated by the Scheme Administrator and that the balance of funds should have remained in reserves, £604k. This over-estimation did not materially affect the Council's financial position and she intends to adjust this in 2013-2014, taking into account the latest information from the Scheme Administrator. Members had been asked to agree with the Borough Treasurer's proposal and to approve the Letter of Representation which included this item. Members had also been asked to agree that the Borough Treasurer and the Chairman of this Committee be authorised to sign the Letter of Representation on behalf of the Council. A copy of which had been appended to the report.

Letter of Representation

The purpose of this letter was to provide assurance to the External Auditors on relevant and significant matters relating to the financial year. The Letter of Representation was issued to disclose the material facts affecting the 2012-2013 transactions of the Council.

Annual Governance Statement

The Annual Governance Statement (AGS) needed to be published alongside the Statement of Accounts, although it did not form part of it. The AGS had been presented to this Committee on the 27th June, 2013 and there had been no major changes to report. A copy of the AGS had been appended to the report for Members to approve and authorise the Chairman of this Committee to sign on behalf of the Council.

- RESOLVED:- (i) To receive the External Auditor's Audit Findings report;
- (ii) To agree the Management responses included in the Audit Findings report;
- (iii) To approve the Letter of Representation and authorise the Chairman of this Committee and the Borough Treasurer to sign on behalf of the Council;
- (iv) To receive the Annual Governance Statement;
- (v) To approve the Annual Governance Statement and authorise the Chairman of this Committee to sign on behalf of the Council; and
- (vi) To approve the audited accounts and authorise the Chairman of this Committee to sign on behalf of the Council.

22 – Annual Review of Audit Committee Effectiveness

The Borough Treasurer reported that it had been agreed at the Audit Committee meeting on 27th June, 2013 that the Chairman and Vice-Chairman of this Committee be delegated to undertake a review of the effectiveness of the Audit Committee with herself.

It was noted that CIPFA had recommended that an assessment be undertaken by the Audit Committee to ensure that its effectiveness was regularly reviewed. They had recommended that this could be achieved by using an evaluation checklist such as CIPFA's Toolkit for Local Authority Audit Committees.

The Borough Treasurer reported that the review had been completed and the completed checklist had been appended to her report. It was noted that the review had demonstrated that the purpose and independence of the Audit Committee had been established. Members were aware of the remit and responsibilities that the Committee was charged with. The main area of discussion was the need for on-going training, to continue to build on the knowledge and experience of the Committee Members. It was expected that Audit Committee external training would be run again in 2014 and some areas, such as Welfare Reform would be addressed through the training led by Members' Personal Development Plans.

A Member had suggested that this time next year it may be appropriate to consider training implications required from potential changes to the Council following the Elections in May 2015.

RESOLVED:- To approve the review.

23 – Fraud and Corruption Survey 2012-2013

The Borough Treasurer reported that the Council takes part in the national fraud and corruption survey each year run by the Audit Commission.

The Audit Commission publishes an annual report on fraud and corruption in Local Government called 'Protecting the Public Purse' (PPP). PPP provides details on amounts of detected fraud, warns of emerging fraud risks and promotes best practice. Much of the information for PPP comes from the fraud and corruption survey of Local Government. The results of the survey also informed the National Fraud Authority's annual assessment of the total value of fraud in the UK. Submission of the information was required under Section 48 of the Audit Commission Act 1998.

The survey completed covered all areas where fraud may occur. For 2012-2013, the following statistics had been returned:-

Housing Benefit and Council Tax Benefit Fraud

- Number of cases: 23;
- Value: £47,412.09 (no individual case was over £10,000);
- Number of cases that went to court: 11; and
- Number of cases resulting in prosecution: 11.

It was noted that there was no fraud or corruption to report in relation to any other Council service.

RESOLVED:- To note the report and agree that a further progress report be submitted at a later date.

24 – Internal Audit Final Reports

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

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

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

1. Housing and Council Tax Benefits – Substantial Assurance;
2. Income Collection – Substantial Assurance;
3. Car Park Meter Income – Substantial Assurance;
4. Housing Maintenance – Responsive Repairs – Substantial Assurance;
and
5. 102 Abbey Road Phase 2 – Substantial Assurance.

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

RESOLVED:- To note the Internal Audit Final Reports.

25 – Internal Audit Progress Report

The Borough Treasurer reported that the Internal Audit Progress Report for the period 1st April, 2013 to 11th September, 2013 had been produced by the Head of Internal Audit.

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

No Priority 1 recommendations had been made within the reporting period.

The report contained a statistical summary of the number of audit recommendations (14). It was noted that all 14 recommendations had been fully accepted. Each of the recommendations had been assigned a priority graded 1-3, 1 being major issues and 3 being minor issues. 10 had been rated priority 2 and 4 had been assigned priority 3.

A new section had been included in the report this time detailing the number of calls to the Fraud Hotline. It had been suggested that further columns be included in this section of the report to include details of the number of prosecutions etc. The Head of Internal Audit agreed to provide more information in the next report.

It was noted that the Document Retention audit report was still in a draft form as it had been referred to Management Board for their consideration.

RESOLVED:- That the report be received.

26 – Local Government Ombudsman Annual letter 2012/2013

The Policy Review Officer reported that the Ombudsman issued an annual letter to Councils reviewing complaints against the Authority.

During 2012/2013, a total of eight complaints had been received which was below the average for Borough Councils. He advised that this year the Ombudsman had not provided the detailed breakdown of complaints that it had provided in previous years. The reason for that was that they had changed their business processes during the course of 2012/2013 and therefore would not be able to provide a consistent set of data for the entire year.

A copy of the letter and annual statistics had been appended to the report.

RESOLVED:- To note the report.

27 – Risk Management

The Policy Review Officer attached as an appendix to his report, the Risk Register for 2013-2014. He reported that the register continued to focus on those business critical risks which were under the control of the Council. It was noted that Management had agreed a number of Operational Risks and

these would be used to inform the development of the Council's Business Continuity Plan.

Full details of the Business Critical Risks and Operational Risks, including their potential impact and mitigating actions had been included in the appendices attached to the report.

The Policy Review Officer advised the Committee that the Risk Register would be presented to Management Board the week commencing 30th September, 2013 and that some risks were now less likely which would result in some changes to the Register.

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

28 – Monitoring Priority 1 Recommendations

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

To ensure that all agreed Internal Audit Priority 1 Recommendations were implemented in a timely manner they were now tracked by Management Board. Progress against the implementation of Priority 1 Recommendations that had been agreed in 2011-2013 had been included within the Policy Review Officer's report.

At the last meeting of this Committee there had been two outstanding Priority 1 risks, namely:-

1. Risk Management – Business Continuity (11-08); and
2. Catering Contract – The Forum (10-24).

The Priority 1 risk related to the Catering Contract had now been implemented and the Priority 1 risk related to the Business Continuity Plan was still outstanding. A draft Business Continuity Plan had been submitted to Management Board in June and the infrastructure was currently being worked on to support the Information and Communication Technology (ICT) Disaster Recovery Plan and a location was trying to be sourced for replica computer servers and telephone systems.

The Policy Review Officer advised the Committee that the Business Continuity Plan had moved on significantly and the only outstanding item was in respect of the ICT Disaster Recovery Plan.

RESOLVED:- To note the information.

The meeting closed at 3.25 p.m.

AUDIT COMMITTEE	Part One (D) Agenda Item 7
Date of Meeting: 12th December, 2013	
Reporting Officer: Borough Treasurer	
<p>Title: Annual Audit Letter for the Year ended 31st March, 2013</p> <p>Summary and Conclusions:</p> <p>The Annual Audit Letter for the year ended 31st March, 2013 has been produced by the External Auditors. The External Auditors will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive the External Auditor's report and raise any questions.</p>	

Report

The External Auditors have produced the Annual Audit Letter for the year ended 31st March, 2013. The report is attached at **Appendix 1** and will be presented to Members by the External Auditor.

Background Papers

Nil



The Annual Audit Letter for Barrow in Furness Borough Council

Year ended 31 March 2013

21 October 2013

Gina Martlew
Engagement Lead

T 0141 223 0890

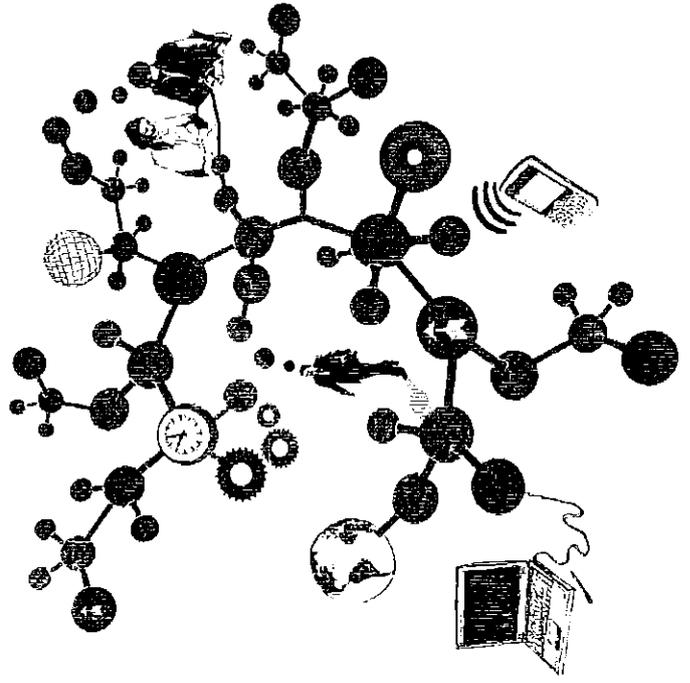
E gina.f.martlew@uk.gt.com

Len Cross

Audit Manager

T 0161 234 6387

E leonard.e.cross@uk.gt.com



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Appendices

A Reports issued and fees

Section 1: Executive summary

- 01. Executive summary
- 02. Audit of the accounts
- 03. Value for Money
- 04. Certification of grant claims and returns

Executive summary

Purpose of this Letter

Our Annual Audit Letter ('Letter') summarises the key findings arising from the following work that we have carried out at Barrow in Furness Borough Council ('the Council') for the year ended 31 March 2013:

- auditing the 2012/13 accounts and Whole of Government Accounts submission (Section two)
- assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (Section three)
- certification of grant claims and returns (Section four).

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. We reported the detailed findings from our audit work to those charged with governance in the Audit Findings Report on 26 September 2013.

Responsibilities of the external auditors and the Council

This Letter has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

The Council is responsible for preparing and publishing its accounts, accompanied by an Annual Governance Statement. It is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (Value for Money).

Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued on 27 June 2013 and was conducted in accordance with the Audit Commission's Code of Audit Practice ('the Code'), International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Audit conclusions

The audit conclusions which we have provided in relation to 2012/13 are as follows:

- an unqualified opinion on the accounts which give a true and fair view of the Council's financial position as at 31 March 2013 and its income and expenditure for the year
- an unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources
- an unqualified opinion on the council's Whole of Government Accounts submission
- we have certified 2 grant claims and returns to date, one without amendment and one subject to some amendments. We expect to complete our testing of the Housing & Council Tax Benefits grant claim in November and report the overall findings from our certification work in December 2013.

Key areas for Council attention

We summarise here the key messages arising from our audit for the Council to consider as well as highlighting key issues facing the Council in the future.

We issued an unqualified VfM conclusion but identified areas for improvement around:

- **workforce planning** – in recognising that sickness absence levels are higher than the local government average and increased in 2012/13 management are working closely with the Council's occupational health provider to reduce the level of long and short term sickness;
- **cost of Housing and Council Tax Benefits administration and Revenues services** – which exceeds that of most English District Councils; accordingly any reductions in the cost of administering these services [£1.675m in 2011/12] would assist the authority in delivering the savings required to address its projected deficit;
- **responsiveness of the medium term financial strategy** – whilst recognising the work in identifying a series of schemes to generate additional income, increase efficiency and reducing expenditure, the Council needs to update its plan to reflect the receipt of the efficiency grant it has been allocated; and
- **budget setting and monitoring** – management have recognised there is scope to strengthen internal budget monitoring arrangements, breaking down overall budget performance and budget variance by individual departments, facilitating officer and member challenge leading to securing the action necessary to improve performance.

We issued an unqualified opinion on the financial accounts. There was an unadjusted error relating to the estimated liability in respect of the Municipal Mutual Insurance liability. The estimated provision was overstated by £604,000. The accounts were not amended as the effect was not material and the provision will be amended in 2013/14. There were material adjustments to the financial statements but these were only to the cash flow statement, none of which impacted on the other primary statements. We also agreed a number of presentational amendments to the financial statements to improve clarity and ensure full compliance with the CIPFA Code of Accounting Practice.

Acknowledgements

This Letter has been agreed with the Borough Treasurer and was presented to Audit Committee on 12 December 2013.

We would like record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
December 2013

Section 2: Audit of the accounts

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Audit of the accounts

Audit of the accounts

The key findings of our audit of the accounts are summarised below.

Preparation of the accounts

The Council presented us with draft accounts on 27 June 2013, in accordance with the national deadline. Appropriate working papers were made available from the start of the audit fieldwork, which commenced in July.

Issues arising from the audit of the accounts

There was an unadjusted error relating to the estimated liability in respect of the Municipal Mutual Insurance liability. The estimated provision was overstated by £604,000. Had it been amended, it would have affected the Council's reported financial position and increased the Council's usable reserves by £604,000. The accounts were not amended as the effect was not material and the provision will be amended in 2013/14.

Material adjustments were made to the Cash Flow Statements to correct errors made when compiling the statement – the CIPFA cash Flow toolkit will be used to produce future cash flow statements and to recreate the 2012/13 cash flow statement.

Annual governance statement

Subject to some minor amendments made to the Annual Governance Statement (AGS) presented to audit we concluded that the AGS was compliant with the CIPFA/SOLACE framework and our understanding of the authority.

Conclusion

Prior to giving our opinion on the accounts, we are required to report significant matters arising from the audit to 'those charged with governance' (defined as the Audit Committee at the Council). We presented our report to the Audit Committee on 26 September 2013 and summarise only the key messages in this Letter.

We issued an unqualified opinion on the Council's 2012/13 accounts on 26 September 2013, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the accounts give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Section 3: Value for Money

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Value for Money

Scope of work

The Code describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources
- ensure proper stewardship and governance
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give a VFM conclusion based on the following two criteria specified by the Audit Commission which support our reporting responsibilities under the Code:

The Council has proper arrangements in place for securing financial resilience. The Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness. The Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- financial governance
- financial planning
- financial control.

Our work highlighted our assessment of the Council's arrangements against these criteria. Further details are provided in our Financial Resilience report issued in September 2013.

Challenging economy, efficiency and effectiveness

We have reviewed whether the Council has prioritised its resources to take account of the tighter constraints it is required to operate within and whether it has achieved cost reductions and improved productivity and efficiencies.

Our work highlighted scope for improvement and more robust challenge around:

- the Council's comparatively high level of sickness absence;
- the cost of the Council's Housing and Council Tax Benefits service;
- ensuring that the Medium term financial plan remains responsive to changing circumstances, e.g. to reflect receipt of the efficiency grant it has been allocated and reworking the financial model as more accurate information becomes available

Overall VFM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Section 4: Certification of grant claims and returns

01. Executive summary

02. Audit of the accounts

03. Value for Money

04. Certification of grant claims and returns

Certification of grant claims and returns

Introduction

We are required to certify certain of the claims and returns submitted by the Council. This certification typically takes place some six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Our work on certification of grant claims is on-going. Our work to date has not identified any issues which we wish to highlight. The detailed findings of our work will be reported in our Grant Certification report upon completion of our work. We anticipate completion of our Housing & Council Tax Benefits grant claim work in November 2013.

Approach and context to certification

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.

Further details will be provided in our certification report to be issued in December 2013.

Appendices

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit and non-audit services

Fees	Per Audit plan	Actual fees
Audit Fee	£67,259	£67,259
Grant certification fee	£22,300	£22,300
Total fees	£89,599	£89,559

* certification work is on-going. The final fee will be reported to the Audit Committee later in the year in our certification report.

Fees for other services

Service	Fees £
Provision of benchmarking information and analysis relating to the Housing and Council Tax Benefit.	£8,000

Reports issued

Report	Date issued
Audit Plan	26 June 2013
Audit Findings Report	26 September 2013
Certification report	TBA
VfM – Financial Resilience Report	26 September 2013
Annual Audit Letter	12 December 2013



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AUDIT COMMITTEE	Part One
Date of Meeting: 12th December, 2013	(D)
Reporting Officer: Borough Treasurer	Agenda Item 8
<p>Title: Certification Report 2012-2013</p> <p>Summary and Conclusions:</p> <p>The Certification Report for 2012-2013 has been produced by the External Auditors. The External Auditors will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive the External Auditor's report and raise any questions.</p>	

Report

The External Auditors have produced the Certification Report for 2012-2013. The report is attached at **Appendix 2** and will be presented to Members by the External Auditor. The report includes the Action Plan agreed with Management.

Background Papers

Nil



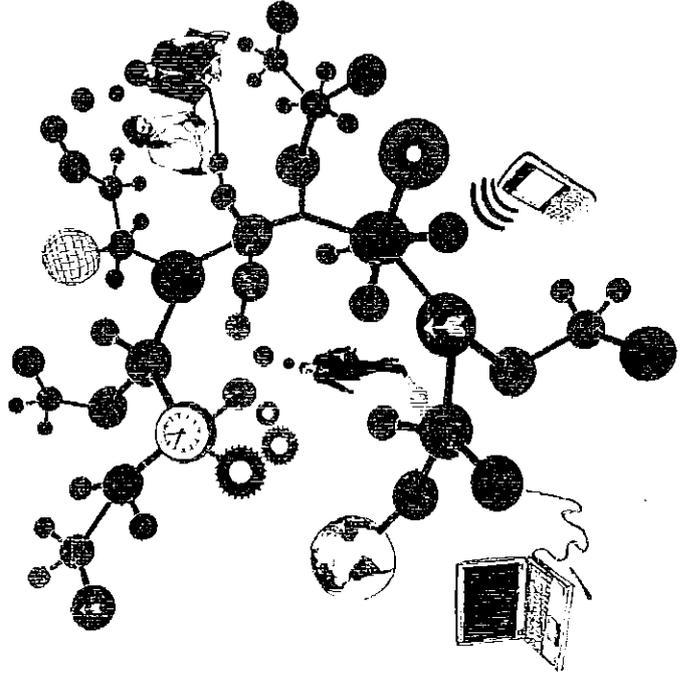
Certification report 2012/13 for Barrow in Furness Borough Council

Year ended 31 March 2013
December 2013

Jackie Bellard
Director
T 0161 234 6394
E jackie.bellard@uk.gt.com

Len Cross
Manager
T 0161 234 6387
E leonard.e.cross@uk.gt.com

Daniel Watson
Executive
T 0161 234 6344
E daniel.watson@uk.gt.com



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Section 1: Executive summary

01. Executive summary

02. Results of our certification work

Executive summary

Introduction

We are required to certify certain of the claims and returns submitted by Barrow in Furness Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

We have certified 3 claims and returns for the financial year 2012/13 relating to a total value of £50.6 million.

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

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.

Our approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform were set out in our Certification Plan issued to the Council in June 2013

Key messages

A summary of all claims and returns subject to certification is provided at Appendix A. The key messages from our certification work are summarised in the table below and set out in detail in the next section of the report.

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

The way forward

We set out recommendations to address the key messages above and other findings arising from our certification work at Appendix B.

The Borough Treasurer and the Council's Housing & Council Tax Benefits service provider's Head of Revenues and Benefits Operations should use the 2012/13 qualification letter as a basis for discussion in considering the error types identified by audit, determining the root causes and use the output of investigation and review to agree:

- actions required to reduce claim errors across all benefit categories and types;
- Housing & Council Tax benefits processing performance indicators

Implementation of the agreed recommendations will assist the Council in compiling accurate and timely claims for certification. This will reduce the risk of potential repayment of grant and additional certification fees.

Acknowledgements

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
December 2013

Section 2: Results of our certification work

01. Executive summary	001
02. Results of our certification work	002

Results of our certification work

Key messages

We have certified three claims claims and returns for the financial year 2012/13 relating to expenditure of £50.6 million.

The Council's performance in preparing claims and returns is summarised below:

- This analysis of performance shows that:
- all claims and returns requiring certification in 2012/13 were submitted on time
 - two of the three claims submitted for audit in 2012/13 were subject to amendment;
 - as was the case last year the Housing & Council Tax Benefits Subsidy claim was subject to a qualification letter

Details of the certification of all claims and returns are included at Appendix A.

Performance measure	Target	Achievement in 2012/13		Achievement in 2011/12		Direction of travel
		No.	%	No.	%	
Claims submitted on time	100%	3	100	4	100	↔
Claims certified on time	100%	3	100	4	100	↔
Claims certified with amendment	100%	2	67	3	75	↓
Claims certified with qualification	100%	1	33	1	25	↑

Significant findings

Our work has identified the following issues in relation to the management arrangements and certification of individual grant claims and returns:

- significant errors were identified in the 2012/13 Housing & Council Tax Benefits claim and a qualification letter has been issued to the Department for Work & Pensions (DWP);
- the error rate identified from the Council's own Housing & Council Tax Benefits client side checks has consistently identified a benefits error rate of 8%;
- errors identified from our initial Housing & Council Tax Benefits sample testing required extended ('40 plus') testing, compliant with DWP requirements – this significantly increased the time and cost of audit testing.

Recommendations for improvement are included in the action plan at Appendix B

Certification fees

The Audit Commission set an indicative scale fee for grant claim certification based on 2010/11 certification fees for each audited body. The indicative scale fee for the Council for 2012/13 is £21,300

Appendices

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Housing & Council Tax Benefits	£27,716k	Yes	£106	Yes	<ul style="list-style-type: none"> There were a small number of amendments which in aggregate totalled £106 – sundry other issues arising from the from the audit are detailed in a 16 page qualification letter In accordance with our agreed protocol initial sample testing and further '40 plus' testing was carried out by Internal Audit, and was subject to our sample re-performance of that coverage; Due to errors identified from initial sample testing, 77 cases across all 4 benefit types, extended '40 plus' testing was required, compliant with DWP requirements – this resulted in a total of 408 cases being subject to audit testing, adding significantly to the overall time and cost of audit; In the context of our sample testing identifying an overall error rate of 10.5% of all cases tested – the Council's own in house client side checks has consistently identified a benefits error rate of 8% - we identified 8 cases where claimants had been underpaid and 11 cases where claimants had been overpaid.

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Pooled housing capital receipts return	£620k	yes	No overall impact	No	<ul style="list-style-type: none"> Nationally in 2011/12, 22% of all Housing & benefits claims were not subject to a qualification whilst 32% of claims were certified without amendment – this suggests that avoiding future qualification or amendment is an aspirational target that the Council and its Housing & Council Tax Benefits service provider (Liberata) should seek to achieve. <p>Although amendments to the pooled housing capital receipts return impacted only marginally on the overall amount payable to the national pool, we made the following amendments:</p> <ul style="list-style-type: none"> Cell F10790 (available capital allowance), amended from £2,108k to £2,162k – the Council is able to offset amounts that would ordinarily be paid into the pool against capital spending regeneration and affordable housing projects. The error was due to: (i) a transposition error when identifying historic spend on regeneration and affordable housing projects; and (ii) failing to reconcile the cumulative total capital spend on regeneration and affordable housing projects to supporting control records. Consequently, the available capital allowance recorded in the unaudited claim was understated by £54k;

Appendix A: Details of claims and returns certified for 2012/13

Claim or return	Value	Amended?	Amendment (£)	Qualified?	Comments
Pooled housing capital receipts return	£620k	yes	No overall impact	No	<ul style="list-style-type: none"> Cell 337PO (quarterly attributable debt – Q3), amended from £77k to £69k – the DCLG uses a formula to allocate attributable debt to each property sold by the Council. There were errors in the draft return arising from the Council incorrectly recording information about the properties sold. Assumptions had been made by the finance department about the types of property sold. These errors would not have occurred if the Council had confirmed details about the properties sold with the housing department Cell 403PO (expenditure incurred or committed in the relevant quarter on regeneration projects – Q4), amended from £88k to £149k – the value of capital expenditure funded from capital receipts which was disclosed in the unaudited claim had not been reconciled to the figure determined for 2012/13 capital accounts closure and financial statements reporting purposes.

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
Housing & Council Tax Benefits				
1	<p>The Borough Treasurer and the Council's Housing & Council Tax Benefits service providers Head of Revenues and Benefits Operations should use the 2012/13 qualification letter as a basis for discussion in considering the error types identified by audit, determining the root causes and use the output of investigation and review to agree:</p> <ul style="list-style-type: none"> • actions required to reduce claim errors across all benefit categories and types; • Housing & Council Tax benefits processing performance indicators 	Medium	<p>The Borough Treasurer will meet with the Head of Revenues and Benefits Operations to agree a plan to address the errors raised in the 2012/13 audit. There are performance indicators for Housing Benefits and the Local Council Tax Reduction Scheme (which replaced Council Tax Benefits from April 2013) and it is necessary to review these as the error rates found in subsidy are not appearing during the year.</p>	March 2014, Borough Treasurer
Housing pooled capital receipts				
2	<p>Ensure that the available capital allowance pooled receipts relating to regeneration and affordable housing capital expenditure used to offset housing capital receipts payable to the national pool is reconciled to supporting housing records.</p>	Medium	<p>The available capital allowance pooled receipts relating to regeneration and affordable housing projects will be reconciled to supporting housing records.</p>	April 2014, Chief Accountant (Technical)

Appendix B: Action plan

Priority

High - Significant effect on arrangements

Medium – Some effect on arrangements

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	In analysing housing capital receipts by archetype for attributable debt calculation purposes ensure that archetype analysis is reconciled to available housing records.	Medium	Housing department will forward to Borough Treasurers Housing accountant quarterly archetype spreadsheet showing movement in stock as per original subsidy scheme. This will be reconciled to RTB sales on the General ledger thus eliminating errors in classification	Implemented quarter 2 2013-2014.
4	Ensure that the capital expenditure figure taken to the pooled capital receipts return is consistent with and reconciled to the figure used for accounts closure and financial reporting purposes.	Medium	Chief Accountant (Technical) will liaise with Housing accountant to ensure capital expenditure is reconciled prior to deadline for submission of pooled capital receipts return.	April 2014 Chief Accountant (Technical)



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AUDIT COMMITTEE	Part One (D) Agenda Item 9
Date of Meeting: 12th December, 2013	
Reporting Officer: Borough Treasurer	
<p>Title: Audit Committee Update</p> <p>Summary and Conclusions:</p> <p>An Audit Committee Update has been produced by the External Auditors. The External Auditors will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive the External Auditor's report and raise any questions.</p>	

Report

The External Auditors have produced an Audit Committee Update for Members. The report is attached at **Appendix 3** and will be presented to Members by the External Auditor.

Background Papers

Nil



Audit Committee Update for Barrow in Furness Borough Council

Year ended 2014

12 December 2013

Jackie Bellard

Director

T +44 (0)161 234 6394

E jackie.bellard@uk.gt.com

Len Cross

Manager

T +44 (0)161 234 6387

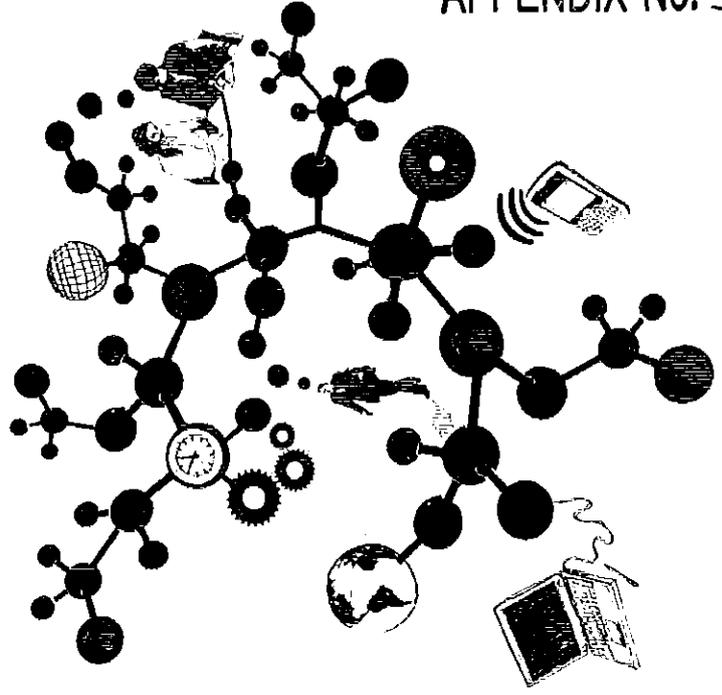
E leonard.e.cross@uk.gt.com

Daniel Watson

Executive

T +44 (0)161 234 6344

E daniel.watson@uk.gt.com



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

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Introduction

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

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

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

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

Jackie Bellard Engagement Lead T [0161 234 6394] M [07880 456195] jackie.bellard@uk.gt.com
Len Cross Audit Manager T [0161 234 6387] M [07880 456198] leonard.e.cross@uk.gt.com

Progress at December 2013

Work	Planned date	Complete?	Comments
<p>2013-14 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 2013-14 financial statements.</p>	April 2014	No	
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	February – March 2014	No	
<p>2013-14 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July – September 2014	No	

Progress at December 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of work to inform the 2013/14 VfM conclusion requires us to assess whether the Council has proper arrangements:</p> <ul style="list-style-type: none"> • in place for securing financial resilience; • for challenging how it secures economy, efficiency and effectiveness <p>In planning work to support the conclusion on arrangements to secure VfM we will have regard to relevant risk indicators across these two criteria in considering the extent and focus of our local VfM work.</p>	<p>January – June 2014</p>	<p>No</p>	
<p>Annual Audit Letter</p> <p>The Annual Audit Letter (Letter) will summarise the key findings from the 2013/14 audit including:</p> <ul style="list-style-type: none"> • audit of the 2013/14 financial statements for the Borough Council and the Whole of Government accounts Submission; • assessing the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources; • Issues arising from our grant claims certification work <p>The 2012/13 Annual Audit Letter and 2012/13 grant certification work report are included as separate items on this Committee's agenda.</p>	<p>November 2014</p>	<p>No</p>	

Emerging issues and developments

Local government guidance

Income from charging

In September, the Audit Commission published 'Income from charging: Using data from the VFM Profiles, September 2013'. The briefing provides an analysis of councils' 2011/12 income from charging, totalling £10.2 billion, and the contribution it made to service spending. It looks at the trends for different types of councils across broad service areas.

Key findings were:

- charging in 2011/12 funded 9 per cent of single-tier and county councils' overall service expenditure, and 20 per cent of district councils
- nationally the total income from charging was less than half the amount raised through council tax in 2011/12, at the local level it exceeded council tax in one in three (32 per cent) district councils and one in five (21 per cent) London boroughs
- there is great variation between councils in terms of the amount of income they generate from charges, the ratio of charging income to service spending, and the changes to these over recent years. The contribution of charging to spending in 2011/12 varied most for district councils, with 2 to 87 per cent being generated through charges.

The Audit Commission chairman, Jeremy Newman, said 'There is no 'one-size-fits-all' formula for how councils set their local charging policies. We are providing information and tools for councils, and those who hold them to account, to help understand the important role that charging plays in councils' strategic financial management. The fact that some bodies derive more income from charging than council tax is neither good nor bad, but highlights the significant role charging plays in funding public services, and reminds councillors and electors to carefully scrutinise the approaches councils are taking.'

Challenge questions:

- When did the Council last review its local charging policy? Does the Council's policy still support the Council's strategic objectives? What options are available for change?
- Do your officers monitor changes in income from charging and its contribution to spending in order to assess whether local charging policies are supporting the council's financial objectives and complying with legal requirements?
- Has your Borough Treasurer reviewed the council's charging policy and levels of income against similar organisations?
- Where issues have been identified, has an action plan been implemented?

Emerging issues and developments

Local government guidance

Business rate collection

In April 2013, the government introduced a business rates retention scheme. Local authorities as a whole will now be able to keep half of the business rates income they collect rather than paying it all into the national pool. As business rate income grows, authorities will keep half of the growth.

In October, the Audit Commission published 'Business rates: using data from the VFM profiles October 2013'. This briefing has been drawn from the Commission's Value for Money (VFM) profiles and shows an analysis of English council's collection rates and costs of collecting business rates.

The Audit Commission also highlights the following steps councils could take to maximise business rates:

- supporting existing business to do well and attracting new businesses to the area
- identifying and billing all business properties with a rateable value promptly
- using discretionary relief in an effective way, targeting businesses most in need
- preventing and tackling fraudulent claims for relief
- improving collection rates
- reducing collection costs.

Challenge questions:

- Has your Borough Treasurer reviewed the costs and performance of your authority against similar organisations?
- What steps could your authority take to increase the amount it collects from business rates?
- Is an action plan in place?
- Are you satisfied that your authority has made a robust estimate for its provision for business rate appeals?

Emerging issues and developments

Local government guidance

Voluntary Code of Practice on the Housing Revenue Account

In October, CIPFA and the Chartered Institute of Housing (CIH) issued the 'Voluntary Code for a Self-financed Housing Revenue Account'.

The voluntary code aims to give authorities the tools necessary to control and evaluate the performance of their HRA and increase the value it returns to both councils and rate payers. It will also help authorities to assess and develop effective governance and financial management frameworks for their HRA.

This code is designed to be self-regulatory and compliance is not formally required.

Challenge questions:

- Has your authority reviewed the HRA in light of this new guidance?
- Has your Borough Treasurer considered whether there are opportunities to improve the governance, financial and management arrangements in place to manage the HRA?
- For opportunities identified, is there an action plan in place?

Emerging issues and developments

Grant Thornton

Potential for procurement fraud

The Chancellor's Spending Round announcement earlier this summer has forced authorities to make further cuts to their budgets and operate under tighter constraints.

As Chris Clements, Head of Public Sector Forensics at Grant Thornton UK LLP, wrote in Local Government News, the National Fraud Authority estimates that in the wider public sector, the cost of fraud reached a staggering £19.9bn this year. Procurement fraud in local government accounted for £876m of this amount and therefore a properly functioning procurement process is key to mitigating much of this risk of loss.

'Helping ensure people are not in a position where they are tempted by an opportunistic gain is vital. Employees feeling undervalued – either financially or on account of other motivating factors – can breed an atmosphere of despondency which allows for procurement fraud. Sometimes all it takes is one exploratory incident by an individual to snowball into a culture wide acceptance of fraud, where employees not only rationalise the activity, but are spurred on by other actions.'

Challenge questions:

- Does your authority have a properly functioning procurement process, where duties are clearly segregated?
- Does your authority maintain an adequate whistleblowing mechanism for whistleblowing, whereby employees feel they are able to report their suspicions in a safe and secure manner?

If you have any queries on procurements processes and/or procurement fraud, talk to your audit manager to see how Grant Thornton could help.

Emerging issues and developments

Accounting and audit issues

Simplifying and streamlining the presentation of local authority financial statements

Both HM Treasury and CIPFA/LASAAC have recently consulted on how to streamline and simplify local authority financial statements. In our response, we set out our view that streamlining is a collaborative process involving standard setters, preparers of the accounts and auditors. This requires a much needed change in culture and attitude from the accounting and auditing profession as a whole.

However, there is much that can be done now. In his October article in [Room 151](#), the on-line local authority finance publication, Graham Liddell, Grant Thornton's National Technical Lead sets out the practical steps local authorities can take to:

- learn the lessons from 2012/13 to improve the preparation and audit of the financial statements for future years
- de-clutter their accounts using the previous year's financial statements as the starting point

Graham notes that Grant Thornton has been working with a range of local authorities to achieve these goals. One council audited by Grant Thornton succeeded in producing a set of financial statements in 2012/13 that were only half the length of those for 2011/12 and were much easier to follow.

Challenge questions:

- How are you planning to improve the preparation of your financial statements for 2013/14?
- Do your financial statements provide a clear overall picture of the financial performance of your authority?
- Has your Borough Treasurer carried out a de-cluttering exercise to ensure that disclosures are relevant, material and up to date?

Emerging issues and developments

Accounting and audit issues

Consultation on Local Authority Accounting Code of Practice for 2014/15

CIPFA/LASAAC's consultation on the Local Authority Accounting Code of Practice for 2014/15 closed in October.

In our response we noted that the complexity of international financial reporting standards (IFRS) inevitably means that it is increasingly difficult to construct a Code that is comprehensive, of reasonable length and fit for purpose. We suggested that the Code of Practice follows the approach adopted by the Treasury in the Financial Reporting Manual under which bodies are required to follow the relevant accounting standard other than where there are specified formal adaptations or interpretations. This would result in a much shorter simpler Code with local authorities referring directly to the underlying standards themselves. This approach is consistent with that adopted in the NHS, where the accounting manuals do not seek to repeat text from accounting standards.

In respect of the some of the other key consultation issues, our views were:

- IFRS 13 - the Code should follow the principles of IFRS 13 as closely as possible. We regard it as important that there is a common application of fair value by all bodies preparing accounts under IFRS.
- Infrastructure assets - we supported the adoption of IFRS based accounting for infrastructure assets. We recognise the practical difficulties in doing this and have offered to work with CIPFA/LASAAC and local authorities to help overcome these difficulties.
- Schools - we emphasised the importance of addressing the accounting issues for schools as a matter of priority, particularly because this is an area for which the Whole of Government Accounts are currently qualified.

Challenge question:

- Has your Borough Treasurer reviewed the proposed amendments to the 2014/15 Code and assessed the potential impact?

Emerging issues and developments

Accounting and audit issues

Property plant and equipment revaluations

The 2013/14 Code of Practice on Local Authority Accounting changes the requirements for the frequency at which authorities are required to carry out valuations of property plant and equipment. Previously the Code permitted valuations to be carried out on a rolling basis over a maximum of 5 years. The 2013/14 Code now restricts this option by requiring:

- revaluations to be sufficiently regular to ensure that the carrying amount does not differ materially from that which would be determined using the fair value at the end of the reporting period
- items within a class of property, plant and equipment to be revalued simultaneously to avoid selective revaluation of assets and the reporting of amounts in the financial statements that are a mixture of costs and values as at different dates.

However, the Code permits assets within the same class to be revalued on a rolling basis provided the revaluation of the class of assets is completed within a short period and provided the revaluations are kept up to date. There is no definition of 'a short period' but the Code's requirement to avoid reporting a mixture of costs and values as at different dates suggests that to comply with the Code, all assets within a particular class should be valued within the same financial year.

Challenge questions

- Are both your Borough Treasurer and your professional advisors satisfied that your revaluation programme is sufficiently regular to ensure that the carrying amount of Property, Plant and Equipment at 31 March 2014 will not differ materially from that which would be determined using the fair value at that date?
- Has your Borough Treasurer reviewed the changes to the 2013/14 Code and implemented a valuation process to ensure your authority complies with other aspects of the Code requirements?
- Where your authority is unable to comply fully with the Code in 2013/14, are you satisfied that any non-compliance is immaterial and has an action plan been put in place to address non-compliance issues in future years?

Emerging issues and developments

Accounting and audit issues

Public briefing on the Local Audit and Accountability Bill

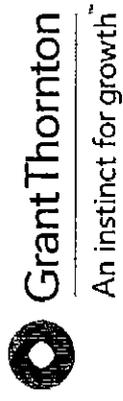
In September, the Audit Commission published a briefing note on the Local Audit and Accountability Bill. The Bill is currently going through Parliament.

The briefing provides background information on the Bill as well as a view on the areas where the Audit Commission believe that the Bill can be further improved. These areas are:

- collective procurement arrangements
- audit appointment arrangements
- the National Fraud Initiative
- small bodies
- supporting accountability to Parliament and the public
- reporting on arrangements to secure value for money
- updating the legislative framework governing local public audit.

Challenge question:

- Have you considered how the proposed audit arrangements under the Draft Local Audit Bill will affect you?



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AUDIT COMMITTEE	Part One (D) Agenda Item 10
Date of Meeting: 12th December, 2013	
Reporting Officer: Borough Treasurer	
<p>Title: 2013-2014 Accounts Update</p> <p>Summary and Conclusions:</p> <p>This report contains an update on the 2013-2014 Accounts, highlighting changes and updates that have occurred. The report also provides an update on the items highlighted for review following the 2012-2013 Accounts audit.</p> <p>Recommendations:</p> <p>Members are recommended to receive the report and raise any questions.</p>	

Report

The annual closedown timetable will be drawn up in January 2014 and will reflect any improvements or adjustments that were identified during the 2012-2013. There are changes to the revaluation of fixed assets and the Assets Accountant has met with and discussed these with our appointed valuer. There were no major problems with the closedown process used for 2012-2013. The issues identified by the External Auditor for 2012-2013 are included in the last section of this report.

Other Updates

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

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

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

business rate appeals and how to provide for their potential success and likely value. From April 2014, it is anticipated that there will be Cumbria Business Rates Pool, so uniformity of estimates and provisions have been discussed early.

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

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

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

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

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

Items highlighted in 2012-2013 audit

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

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

Sickness levels

Sickness reports are submitted by the HR Manager to Management Board on a quarterly basis. The new occupational health provider commenced on the 1st October, 2013. At quarter 2 the number of day's absence per employee was 5.37 days compared to 6.05 days for the previous year. The reasons for the absences are also reported as is the split between long term and short term absences:

- Long term 778 days

- Short term 247 days

There are currently 5 employees who have been absent for over a month. Return to work interviews are monitored to ensure that timely action can be taken where necessary.

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

Medium Term Financial Plan

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

Segmental reporting

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

Background Papers

Nil

AUDIT COMMITTEE	Part One (D) Agenda Item 11
Date of Meeting: 12th December, 2013	
Reporting Officer: Borough Treasurer	
<p>Title: Fraud and Corruption Survey 2012-2013</p> <p>Summary and Conclusions:</p> <p>The Council takes part in the national fraud and corruption survey each year run by the Audit Commission. This report contains further information on the survey responses supplied by the Borough Treasurer on behalf of the Council for 2012-2013.</p> <p>Recommendations:</p> <p>Members are recommended to note the report.</p>	

Report

At the meeting of the 26th September, 2013, I reported the fraud statistics returned for the Council to the Audit Commission for 2012-2013:

- Housing benefit and council tax benefit fraud
 - Number of cases: 23
 - Value: £47,412.09 (no individual case was over £10,000)
 - Number of these that went to court: 11
 - Number resulting in prosecution: 11

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

The 11 cases that went to court totalled £35,297.52 and the recovery, shown by stage, is below:

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

The current value of the prosecuted cases is £26,743.98 and recovery action will continue.

Background Papers

Nil

AUDIT COMMITTEE	Part One (D) Agenda Item 12
Date of Meeting: 12th December, 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 receive the Internal Audit final reports and raise any questions.</p>	

Report

There are two final reports for consideration by Members:

Audit Assignment	Reference	Audit Area	Assurance
Annual Audit	13-08	Treasury Management (Appendix 4)	Unqualified
IT Environment Audit	IT 51	Information Security Policy Review (Appendix 5)	Substantial

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

For information the assurance and recommendations assigned to Internal Audit reports are 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 13-08
TREASURY MANAGEMENT

Executive Summary

Introduction

The Council defines Treasury Management as "the management of the Council's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks". Responsibility for treasury transactions is delegated to the Borough Treasurer and the two Chief Accountants.

The Council's treasury function is subject to a degree of self-regulation, a key element being the Treasury Management Strategy for 2013/14, which was approved by Council on 26th February 2013. This includes a framework of borrowing limits and prudential indicators designed to ensure that treasury and capital investment decisions are prudent and affordable. The Strategy is supplemented by detailed Treasury Management Practices which demonstrate compliance with the CIPFA Code of Practice for Treasury Management.

After drawing down loans totalling £17.1m in March 2012 to fund the housing subsidy settlement payment, the Council currently has £39.5m of long-term borrowing from the Public Works Loan Board, with maturity dates between 2018 and 2053. No short-term loans have been taken out in 2013/14.

During 2013/14, surplus funds have been invested either directly with counterparties or in an interest bearing deposit account with the Council's own bank, HSBC plc.

Audit Objectives

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

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

Key Points
Unqualified Assurance
No recommendations

Audit Conclusion – *Unqualified Assurance*

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

Management Response

We have received a constructive management response from the Chief Accountant (Technical), 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 IT 51
INFORMATION SECURITY POLICY REVIEW

Executive Summary

Introduction

In accordance with the 2013/14 Audit Plan, a review of the Council's Information Security Policy was commenced in September 2013.

Protection of the confidentiality, integrity and availability of information is essential for the Council to ensure the effectiveness of its operations and services. Management has previously produced policies to address information security issues. Such Information Security Policies are fundamental to fulfilling the Council's obligations as Data Controller under the Data Protection Act, and complying with the recommended standards for all public sector organisations. An agreed security policy also provides a mandate for IT Services to implement appropriate security controls.

Audit Objectives

The audit was agreed with management as part of the 2013/14 IT Audit coverage. The main objective of the audit was to provide reasonable assurance in relation to whether the Council was adequately meeting its requirements to protect the integrity of the information held, in line with legislative and other standards.

In addition, the audit sought to identify the most effective means of upgrading the policy from its previous alignment to BS7799 to the more up to date and relevant ISO27000 standard. In this regard, model policy documents previously published by local government bodies have been provided separately to management.

The scope of the audit was discussed and agreed with the IT Technical Support Team Leader before the start of the audit.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that there are weaknesses which place some of the objectives at risk. We have identified two important issues which relate to improving the relevance and completeness of the current policy. However as the existing policy is based on a sound, if dated, standard, and bearing in mind the expressed willingness to update the policy, we are able to provide substantial assurance at this point in time.

Key Points
<p>Substantial Assurance</p> <p>Two important issues</p>

We have made two Priority 2 recommendations, as follows:

- Management should update the Council's security policy to cover those additional and relevant security aspects included within the ISO27001 standard. To avoid confusion, it is also recommended that the concept of separate policies for managers, users and IT Services is withdrawn. It is suggested that a modular approach may be adopted in order to simplify both the introduction and the maintenance of the policy. It is further suggested that rather than draft a new set of documentation from scratch, one of the "model" policies available and adopted by many authorities may be helpful as a template (these have been supplied separately).
- Management should extend the Council's security policy documentation to cover those areas where, although appropriate controls are already in place, there is no reference in the currently published documentation.

Management Response

We have received a constructive management response from the Deputy Executive Director accepting both of our recommendations.

Acknowledgement

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

AUDIT COMMITTEE	Part One (D) Agenda Item 13
Date of Meeting: 12th December, 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 2013 to 2nd December 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 receive the Internal Audit Progress Report and raise any questions.</p>	

Report

The Internal Audit Progress Report for the period 1st April 2013 to 2nd December 2013 is attached at **Appendix 6** and will be presented to Members by the Head of Internal Audit.

Background Papers

Nil



BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to December 2013

2013/14

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EXECUTIVE SUMMARY

Purpose

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

- Internal Audit work performed up to 2nd December 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 2nd December 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 2nd December 2013; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	16	-	12	4
Fully Accepted	16	-	12	4
Partly Accepted	-	-	-	-
Not Accepted	-	-	-	-

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

No Priority One recommendations were made within the reporting period.

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

There have been no rejected Priority One recommendations during the reporting period.

3.2 PRIORITY TWO RECOMMENDATIONS

There have been no rejected Priority Two recommendations during the reporting period.

4. INTERNAL AUDIT COVERAGE:

APRIL – DECEMBER 2013

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

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT	n/a		n/a
-	Hawcoat		Complete	
-	Abbotsvale		Complete	
-	Dalton Community Association			
-	Barrow Playing Fields Users Association			
13-20	Mayor's Account		Complete	
	IT ENVIRONMENT AUDITS	1		
IT51	Information Security Policies		Final	Substantial
IT52	IT Infrastructure Management			
IT53	Implementation Review			
	CONTRACT AUDIT	1		
CR77	Proposed Soccer Centre, Park Leisure Centre		Stage 2 memo issued	
CR82	North Central Group Repair Scheme		Stage 3 memo issued	
CR83	Dock Museum New Car Park and Access Stages 3&4		Stage 4 memo issued	
CR84	Barrow Cemetery NW Extension		Stage 1 memo issued	
CR85	Catering and Events Management		Draft	Restricted
CR86	Town Hall Roof		Commenced	
CR87	Craven House Roof			

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	IMPLEMENTATION REVIEW	n/a		n/a
08-28	Client Monitoring		Complete	
07-26	Corporate Health and Safety Review		Complete	
08-36	Data Protection (Client Aware System)		Complete	
08-33	Development Control		Complete	
11-23	Leisure Centre		Complete	
11-29	Personnel		Complete	
08-05	Barrow Park		Complete	
10-27	Non-Routine Public Buildings Maintenance		Complete	
11-24	Disabled Facilities Grants		Complete	
11-28	Grounds Maintenance		Complete	

Fraud Hotline Calls

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

5. CLASSIFICATIONS

5.1 Classification of Assurance Levels

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

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

5.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

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

APPENDIX 1 – DRAFT REPORTS ISSUED

Ref	Audit	Date issued
12-23	Document Retention	6 th June 2013
13-07	Budgetary Control	28 th November 2013
CR85	Catering and Events Management	29 th November 2013

APPENDIX 2 – RESTRICTED ASSURANCE AUDITS

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

AUDIT COMMITTEE	Part One (D) Agenda Item 14
Date of Meeting: 12th December, 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 2013-2014 is attached as **Appendix 7** it continues to focus on those business critical risks which are under the control of the Council.

The Risk Register was reviewed by Management Board at their meeting of 4th October 2013 and the following changes were made:

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

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

The risk regarding the impact of pay review has been renamed "impact of regrading following the Executive Committee's decision not to progress the pay review".

Operational risks

Management has agreed a number of operational risks and these are presented in **Appendix 8**. The operational risks will be used to inform the development of the Council's business continuity plan.

At the October Management Board meeting the likelihood scores for the decent homes risk and the availability of homeless accommodation were both reduced from 3 to 2 because the Council is confident it has appropriate arrangements in place.

Background Papers

Nil

Inherent risk score					Residual risk score				
Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
1 Impact of changes to the benefit system on income for the housing Department	5	5	25	75% of the Services income is received through Housing Benefit. At 2012 rents this equated to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income. The loss of housing benefit for under occupation of bedrooms is also having an impact on tenants.	A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan. The Service has recently reviewed 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	4	20
2 Future financial stability and sustainability of the Council.	5	5	25	Without sufficient funding plans discretionary services may be at risk of reduction or closure. Statutory services may be delivered with reduced service levels. Staff redundancies may not be avoidable. Funding to external bodies may be reduced. The Council's capital programme	The Council has an approved Budget Strategy to 2015-2016. The policies within the Strategy are the basis for the Council's General Fund revenue budget and its Medium Term Financial Plan. The Budget Strategy led to a restructuring of services and the Council as a whole, but recognised that further restructuring was required to achieve the desired balanced budget by 2015-2016. The Council has planned to use its reserves to set the pace of change but should its main funding reduce further than expected, this will impact on its plans. The Council will produce a longer term financial plan in	Executive Director and Borough treasurer	4	4	16

14	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
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What are the operational risks for service delivery?
 What could stop service delivery - what's the risk?

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

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

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

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

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

AUDIT COMMITTEE		Part One (D) Agenda Item 15
Date of Meeting:	12th December, 2013	
Reporting Officer:	Policy Review Officer	
<p>Title: Code of Corporate Governance</p> <p>Summary and Conclusions:</p> <p>Inform Members of changes to the framework for preparing a Code of Corporate Governance.</p> <p>Recommendations:</p> <p>To approve the Code of Corporate Governance for 2014.</p>		

Report

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

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

We are currently preparing the Code of Governance for 2014 based on this framework and I will present a draft copy at this meeting. This Committee will be invited to endorse the Code at the meeting in March 2014.

Background Papers

Nil

AUDIT COMMITTEE		Part One (D) Agenda Item 16
Date of Meeting:	12th December, 2013	
Reporting Officer:	Policy Review Officer	
<p>Title: Monitoring Priority 1 Recommendations</p> <p>Summary and Conclusions:</p> <p>Monitoring the implementation of all agreed Internal Audit, Priority 1 Recommendations.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>		

Report

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

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

At the last meeting of this Committee there was one outstanding Priority 1 risk:

The Priority 1 risk related to the Business Continuity Plan is still outstanding. A draft Business Continuity Plan was submitted to Management Board in June. We are currently working on the infrastructure to support the Information and Communication Technology Disaster Recovery Plan and are trying to source a location for replica computer servers and telephone systems. It is anticipated that this will be complete by the end of Quarter 4

Background Papers

Nil

Barrow Borough Council Priority 1 Recommendations 2011/13

Audit Report	Recommendation	Responsible Officer	Current position
RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)	<p>In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should :</p> <p>a) designate a senior officer to be responsible for developing and maintaining its BCM procedures;</p> <p>b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM;</p> <p>c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises;</p> <p>d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities.</p>	Executive Director	<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>
RISK MANAGEMENT - BUSINESS	The Council should produce a formally approved and up to date Business	Executive Director	Not Implemented

Audit Report	Recommendation	Responsible Officer	Current position
CONTINUITY (11-08)	<p>Continuity Plan, considering the following potential areas for inclusion:</p> <ul style="list-style-type: none"> • clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures; • approving a formal BCM policy/strategy; • reviewing and documenting the Business Critical Activities (BCAs) for each of its services; • carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA; • including a corporate incident management plan which designates a team to manage an incident, sets out procedures and resources to enable services to resume and identifies accommodation/communications 		<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>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. 		