

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 13th December, 2012
at 2.00 p.m. (Committee Room No. 4)

A G E N D A

PART ONE

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

3. **Admission of Public and Press**

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

4. **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 27th September, 2012 (copy attached).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Annual Governance Statement.
- (D) 8. Monitoring Priority 1 Recommendations.

- (D) 9. Risk Management.
- (D) 10. Performance Management.
- (D) 11. Revenues and Benefits 2010-2011 VFM Profiles.
- (D) 12. Internal Audit Final Reports.
- (D) 13. Internal Audit Progress Report.

PART TWO

- (D) 14. Main Service Contracts.

NOT FOR PUBLICATION BY VIRTUE OF PARAGRAPH 3 OF PART ONE OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND ACCESS TO INFORMATION (VARIATION) ORDER 2006

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

Membership of Committee

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

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BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting 27th September, 2012
at 2.00 p.m.

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

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

16 – Minutes

The Minutes of the meeting held on 28th June and the special meeting held on 25th July, 2012 were taken as read and confirmed.

17 – Apologies for Absence/Attendance of Substitute Members

Apologies for absence were received from Councillors Pointer (Vice-Chairman) and Wilson.

Councillor Sweeney had replaced Councillor Pointer for this meeting only.

18 – Local Government Ombudsman Annual Letter 2011/2012

The Deputy Executive Director reported that the Ombudsman issued an annual letter to Councils reviewing complaints against the Authority.

During 2011/2012, a total of eighteen enquiries and complaints were made against the Council, fifteen of which were complaints which the Ombudsman's office considered and another three were referred to the Council as premature complaints.

In any one year, there can be a difference in the number of complaints received by the Ombudsman and the number of decisions made. This was because some decisions will have been made on complaints received in the previous year and not all of the complaints received by the Ombudsman in 2011/12 would have been decided by 31st March, 2012.

The Ombudsman made decisions on twelve complaints in 2011/12. Five complaints had not been investigated (one as there was no power to investigate; one as there was no reason to use exceptional power to investigate and three fell into the investigation not justified and other category). Seven complaints had been investigated (four had not found enough evidence of fault and for the other three injustice had been remedied during enquiries).

During 2011/12 the Council had dealt with three first enquiries on complaints from the Ombudsman within an average time of 17.3 days. The Ombudsman was pleased to report in her letter that she had no concerns about the Council's response times.

RESOLVED:- That the Ombudsman's Annual Letter 2011/2012 be noted.

19 – Annual Governance Statement 2011/12

The Policy Review Officer provided Members with an updated Annual Governance Statement for 2011/12. He also tabled a further updated copy of the Statement which had been amended following the distribution of the agenda.

The Statement explained that the Council was responsible for delivering a wide range of statutory and discretionary services to the public in the area of the Borough. The Council was responsible for ensuring that its business was conducted in accordance with law and proper standards, and that public money was safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also had a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions were exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council was responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which included arrangements for the management of risk.

The Council had approved a Local Code of Corporate Governance, which was consistent with the principles of the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government. The core principles identified in the framework underpinned the Council's approach to governance. The principles were:-

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

The Annual Governance Statement was presented to this Committee in June and following discussions with the District Auditor some additions had been made and these were highlighted to Members.

RESOLVED:- (i) To agree to submit the report and supporting evidence to the District Auditors for their consideration; and

(ii) To agree that the Annual Governance Statement be published on the Council's website.

20 – Statement of Accounts 2011/12

The Borough Treasurer reported that the Accounts and Audit Regulations 2011 required the approval and publication of the Statement of Accounts, by 30th September, 2012. The report summarised the Council's accounts for the year ended 31st March, 2012 and a copy of the Statement of Accounts for 2011/12 was appended to her report.

The Statement of Accounts summarised the authority's transactions for the 2011/12 financial year and its position at the year-end of 31st March, 2012. The authority was required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The Regulations required the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprised the Code of Practice on Local Authority Accounting in the United Kingdom 2011/12 and the Service Reporting Code of Practice 2011/12, supported by International Financial Reporting Standards and Financial Reporting Standards.

In preparing this Statement of Accounts, the Borough Treasurer had selected suitable accounting policies and then applied them consistently, made judgements and estimates that were reasonable and prudent and complied with the all relevant Codes and Legislations. The accounting policies were detailed on pages 22 to 37 (Note 1 to the Accounts) and included a new policy for Heritage Assets (paragraph m on page 29) which used broadly the same accounting treatment as the existing policy for Property, Plant and Equipment. The critical judgements and assumptions were set out on pages 37 to 40 (Notes 2 to 4 to the Accounts).

The Statement was originally authorised for issue on the 29th June, 2012 for auditing. The Audit Commission had audited the Statement and their findings were reported in the Annual Governance Report on the agenda for this meeting. The finalised Statement was authorised for issue on the 19th September, 2012.

Executive Summary

The financial statements for 2011/12 could be summarised as:-

- General Fund resulted in a £151k net surplus which was added to the Restructuring Reserve, leaving a balanced account for the year;
- The Housing Revenue Account (HRA) resulted in a £484k net surplus; £371k of this was committed to on-going housing maintenance;
- The Collection Fund resulted in a £165k net surplus which would be shared between the major preceptors in 2013/14;
- The Balance Sheet Net Assets had reduced by £23,497k (£23.5 million) which was matched by a reduction in the Total Reserves. The main items that caused the reduction in Net Assets were:-
 - £17,089k (£17.1 million) new long term borrowing for the Housing Subsidy settlement payment;

- £3,811k (£3.8 million) decrease in the value of the Long Term Assets held by the Council; and
- £2,910k (£2.9 million) increase in the Long Term Pension Scheme Liabilities.

These were matched by reductions in unusable reserves.

Detailed information and analysis of the Accounts had been presented in the full Statement of Accounts which had been appended to the Borough Treasurer's report.

RESOLVED:- (i) That after reviewing the Statement of Accounts for 2011/12 Members agree that appropriate accounting policies had been followed and that there were no concerns arising from the financial statements that needed to be brought to the attention of the Council;

(ii) That the Statement of Accounts for 2011/12 be formally approved; and

(iii) To authorise the Chairman of this Committee to sign the Statement of Accounts for 2011/12 on behalf of the Council.

21 – Audit Commission - Annual Governance Report for the Year 2011/12

The Borough Treasurer reported that the Annual Governance report was produced by the Audit Commission on completion of their audit for each financial year. The report for 2011/12 had been appended to the report and Gina Martlew, the appointed Auditor along with Gareth Kelly, the Audit Manager had attended the meeting to present the report to Members.

The report summarised the findings from the 2011/12 audit which was substantially complete. It included the messages arising from the audit of the Council's financial statements and the results of the work undertaken to assess the Council's arrangements to secure value for money in the use of resources.

Financial Statements

As at 28th September, 2012 it was expected that an unqualified audit opinion would be issued which was shown as an appendix to the report. There were no material errors found on the primary statements and the overall completeness and accuracy of the accounts and disclosure notes were good.

The financial statements were prepared and submitted for audit on time and the working papers to support the accounts were of a good standard.

Value for money (VFM)

The Auditor concluded that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. She had found the Council had plans in place to achieve its deficit reduction strategy.

The new contracting and tendering arrangements introduced back in December 2010 was still not fully embedded. The Council still had significant weaknesses in particular within Cultural and Related Services. The Council needed to address these weaknesses as it was currently exposed to additional risks.

It was found that the Council's arrangements for managing its resources were adequate. The Council needed to closely monitor and manage the income generation element of the strategy given the ongoing depressed economy. The Auditor found there to be scope for the Council to develop a more detailed medium term Council Plan which was supported by an organisational improvement plan to assist delivery of its agreed key priorities 2012-2015.

The Auditors concluded that they had undertaken the audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority had proper arrangements for:-

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission had determined these two criteria as those necessary for consideration under the Code of Audit Practice in satisfying the auditors whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31st March, 2012. The Auditors were satisfied that in all significant respects, Barrow-in-Furness Borough Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March, 2012.

The Auditors reported that as a result of the correction of note 2 (Property Plant and Equipment) to the Accounts an adjustment was also required to note 25 to the cash flow as follows:-

Revaluation losses and gains on previous losses: change from £(3280)k to £(3504)k; and

Carrying amount of non current assets sold or derecognised: change from £(769)k to £(546)k.

Members of the Audit Committee raised issues with regards to contract management and in particular with regards to the value for money being provided by the Revenues and Benefits contract and it was requested that a report be brought to the next Audit Committee regarding the value for money indicators highlighted by the appointed Auditor.

RESOLVED:- (i) To receive the Annual Governance Report for 2011/12;

(ii) To note the amendments raised by the Auditors; and

(iii) To approve the recommendations and action plan contained in the report.

22 – Letter of Representation 2011/12

The Borough Treasurer reported that as part of the annual process of finalising the Accounts, there was a requirement to provide assurance to the External Auditors on relevant and significant matters relating to the financial year. A Letter of

Representation was issued to disclose material facts affecting the 2011/12 transactions of the Council.

A copy of the Letter of Representation had been reproduced in the Borough Treasurer's report regarding the Council's audits for the year ending 31st March, 2012.

RESOLVED:- (i) To approve the Letter of Representation for 2011/12; and

(ii) To authorise the Chairman of this Committee (Councillor Burns) and the Borough Treasurer to sign the letter on behalf of the Council.

23 – Monitoring Priority 1 Recommendations

The Policy Review Officer reported that Internal Audit undertook reviews of Council's systems as defined in the annual audit plan. The audit conclusion may include Priority 1 recommendations which related to major issues that needed to be brought to the attention of senior management. Senior managers considered the recommendations and determined whether to accept or reject them. If the recommendation was accepted the manager was agreeing to implement the recommendation.

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

The business continuity arrangements were on the agenda for the next Management Board meeting in October and the Policy Review Officer would provide Members with an update at the next meeting of the Audit Committee.

Regarding the Forum Catering Contract the Assistant Director of Community Services had written to Sodexo informing them that the contract would be going out to tender and he would be taking professional advice because of the complexity of the contract. The Assistant Director of Community Services would also consider the most cost effective arrangements and this may include disaggregating the catering and the cleaning elements of the contract.

Members asked the Policy Review Officer whether the contracts for the Leisure Centre and Dock Museum were also being reviewed and asked that he report back regarding these matters.

RESOLVED:- That the report be noted.

24 – Risk Management

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

The Risk Register was reviewed by management Board at their meeting on 7th September, 2012 and the following changes were made:-

Risk 2: The likelihood of the economy remaining depressed had been increased from three to five thereby increasing the risk score to 25.

Risk 7: Failure to deliver Waterfront Barrow regeneration programme: The mitigating action had been changed because the bid for Regional Growth Funding was unsuccessful so the reference to this bid had been removed.

Councillor Sweeney informed the Policy Review Officer that he had had sight of a form of Risk Register from the Police which showed more information, therefore more clarity and stated that he would provide the Policy Review Officer with a copy of this document to improve the Council's Risk Register.

Gina Martlew asked whether there was any mechanism for risks perceived by the Audit Committee and also risk identified by the Annual Governance Statement to be incorporated onto the Risk Register. The Policy Review Officer would raise this issue at the next Management Board meeting.

RESOLVED:- (i) That the report be noted; and

(ii) That the Policy Review Officer report to the next Management Board meeting with regards to adding risks from the Annual Governance Statement and risks perceived by the Audit Committee onto the Risk Register.

25 – Performance Management

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

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

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

KP 1:

- Complete the all weather soccer centre.

- Renegotiate the Council's catering contract.
- Carry out a Survey of Tenants and Residents (STAR survey) to understand the expectations and aspirations of our tenants.
- Review recycling collections to maximise recycling income and mitigate the impact of a reduction in the value of recycling rewards.
- Actively encourage all Members to access the Modern Councillor online e-learning facility'

KP 2:

- A two year project to carry out Group Repair Work to 240 properties in sub areas A and E including:

Chimney stack repairs
 Door and window replacement
 Rendering and new rain water goods
 Cavity wall insulation

- Identify appropriate sites in partnership with Accent Housing to build 27, 3-bedroom social houses.

KP 3:

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

KP 4:

- Complete the external refurbishment of 102 Abbey Road
- Two year project to construct a roof on Level C of the multi storey car park

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

Key Performance Indicators

Table 1 below is a selection of existing indicators and table 2 shows income against budget.

Local indicators

Indicator	Description	Q1 2011/12	Q1 2012/13	Change
9	Percentage of Council tax collected	29.54	29.23	
10	Percentage of NNDR collected	33.79	31.79	
12	Average number of days sick per member of staff	1.73	2.28	

NI 191	Residual waste per household	125	123	↑
N1192	% of waste recycled, composted	39.9	41.2	↑

The Council Tax and NNDR figures were low at the end of the quarter but have since recovered.

The sickness figure is typical for quarter 1 but last years figure was exceptionally good.

Income

Table 2 below shows the income figures for quarter 1 against the current budget and provides a comparison with the quarter 1 figures for 2011/12.

Income quarter 1

		2011/12	2012/13
Service		£s	£s
Crematorium	Budget	88,200	161,350
	Actual	58,198	144,261
Cemetery	Budget	24,808	22,520
	Actual	11,539	19,707
Parking	Budget	223,000	240,000
	Actual	143,640	140,422
Recycling	Budget	246,500	212,000
	Actual	245,600	212,150
Bulky waste	Budget	9,000	19,500
	Actual	13,802	18,840
PLC 1	Budget	187,600	210,703
	Actual	141,532	134,324

The income was subject to seasonal variation which distorted the figures but despite this the income was lower than expected. The car parking income was a major area of concern and a separate review of car parking charges was on-going.

Referring to KP4 – construct a roof on Level C of the multi story car, the Policy Review Officer stated that it was unlikely that this was going ahead now. Management Board's final decision was awaited.

RESOLVED:- That the report be noted.

26 – Audit Committee Work Plan

The Borough Treasurer reported on the Audit Committee Work Plan which was the basis for the agenda of the meetings throughout each year of business. The Work Plan was set out as a draft list at the Audit Committee on 28th June, 2012 and this

has now been formed into a detailed plan which was attached as an appendix to her report.

The items within the plan were not dated for a particular year so that the Work Plan could be used as an on-going document with updates brought to Members attention at each meeting.

The items listed within the plan were not exclusive as other items could be brought to Audit Committee as appropriate. Any recurring items would be built into the Work Plan.

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

All of the Work Plan items for September were on the agenda today apart from Internal Audit Final Reports as there were none to present this time.

The Borough Treasurer reported that the Ombudsman's Annual letter would be added onto the Work Plan.

Councillor Sweeney suggested that training for new Audit Committee Members be put on the schedule so that training is carried out before the very first meeting in each new term of office.

RESOLVED:- That Members agree the Work Plan.

27 – Internal Audit Progress Report

The Borough Treasurer reported that the Internal Audit Progress report for the period 1st April, 2012 to 14th September, 2012 had been produced by the Head of Internal Audit. The Head of Internal Audit attended the meeting to present the report to Members.

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

The report contained a statistical summary of the number of audit recommendations (6). It was noted that all six 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.

RESOLVED:- That the report be received.

The meeting closed at 3.37 p.m.

Part One

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

Report

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

The Group will meet on 6th December and I will provide a verbal update at this meeting.

Background Papers

Nil

Part One

AUDIT COMMITTEE	(D) Agenda Item 8
Date of Meeting: 13th December, 2012	
Reporting Officer: Policy Review Officer	
Title: Monitoring Priority 1 Recommendations	
Summary and Conclusions:	
Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.	
Recommendations:	
Members are invited to consider the report and determine whether further action is required.	

Report

Internal Audit undertakes reviews of Council's systems as defined in the annual audit plan. The audit conclusion may include priority 1 recommendations which relate to major issues that need to be brought to the attention of senior management. Senior managers consider the recommendations and determine whether to accept or reject them. If the recommendation is accepted the manager is agreeing to implement the recommendation.

To ensure all agreed Internal Audit Priority 1 recommendations are implemented in a timely manner they are now tracked by Management. Progress against the implementation of the Priority 1 recommendations that were agreed in 2011/12 is detailed below there has not been any additions to this list in 2012/13 to date.

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

Regarding the Forum catering contract the Assistant Director of Community Services is continuing the preparations for the tendering process and has identified a consultant to assist in the preparation.

An additional Priority 1 recommendation was made in the assurance report for the Dalton urban park and MUGA. This recommendation is retrospective for this contract and there is no action to be taken. However, this committee should continue to monitor contracts to ensure appropriate documentation is in place

Background Papers

Nil

Barrow Borough Council Priority 1 Recommendations 2011/13

Audit Report	Recommendation	Responsible Officer	Current position
<p>RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)</p>	<p>In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should:</p> <p>a) designate a senior officer to be responsible for developing and maintaining its BCM procedures;</p> <p>b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM;</p> <p>c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises;</p> <p>d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities.</p>	<p>Executive Director</p>	<p>Partially implemented</p> <p>The Council has identified the Executive Director as the responsible officer for developing BCM procedures.</p> <p>Members of Management Board have clearly defined roles for identifying operation risks and using the information to assist in the development of the Business continuity plan.</p> <p>The operational assurance group will consider training needs and present them to management Board.</p> <p>No progress to date</p>
<p>RISK MANAGEMENT -</p>	<p>The Council should produce a formally</p>	<p>Executive Director</p>	<p>Not Implemented</p>

Audit Report	Recommendation	Responsible Officer	Current position
BUSINESS CONTINUITY (11-08)	<p>approved and up to date Business Continuity Plan, considering the following potential areas for inclusion:</p> <ul style="list-style-type: none"> • clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures; • approving a formal BCM policy/strategy; • reviewing and documenting the Business Critical Activities (BCAs) for each of its services; • carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA; • including a corporate incident management plan which designates a team to manage an incident, sets out procedures and resources to enable services to resume and identifies 		<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>accommodation/communications for the team and key service staff;</p> <ul style="list-style-type: none"> • formulating individual departmental plans to describe the processes needed to recover from an incident affecting their BCAs; • ensuring that the plans consider the costs, feasibility and practicality of contingency measures; and • regularly testing and reviewing these arrangements. 		
<p>CATERING CONTRACT – THE FORUM (10-24)</p>	<p>The Council should endeavour to agree contractual terms with Sodexo that demonstrate value for money; or consider market testing the service provision in accordance with the Council's Constitution.</p>	<p>Chief Executive & Assistant Director Community Services</p>	<p>Not Implemented The Council is currently undertaking preparation for the tendering process.</p>
<p>CATERING CONTRACT – THE FORUM (10-24)</p>	<p>The Council should:</p> <ol style="list-style-type: none"> a) be fully aware of, and be satisfied with, its potential obligations in respect of capital expenditure under the proposed contractual arrangements, including the conditions relating to un-depreciated expenditure, prior to 	<p>Assistant Director Community Services</p>	<p>Not Implemented The Council is currently undertaking preparation for the tendering process.</p>

Audit Report	Recommendation	Responsible Officer	Current position
	<p>agreeing those arrangements;</p> <p>b) ensure that it always agrees in advance the amount of any capital expenditure proposed by Sodexo;</p> <p>c) request Sodexo to provide evidence of its actual capital expenditure under the contract;</p> <p>d) ensure that investment is made early in the life of the new contract to avoid a large residual liability for undepreciated capital expenditure; and</p> <p>e) if the finalised contract states an amount of planned investment, clarify the liability for any amount expended in excess of that amount.</p>		
<p>INTERNAL AUDIT FINAL REPORT CR 70 DALTON URBAN PARK AND MUGA</p>	<p>Internal Audit have identified several areas which have not been included in the contract documents due to the fact that Standard Terms and Conditions for the Purchase of Services were used, which may not provide the Council with the protection associated with previous works contracts, such as:</p> <ul style="list-style-type: none"> the value of the work completed should be valued at agreed intervals 	<p>Assistant Director Community Services</p>	<p>The Assistant Director - Community Services accepts that a form of contract under Contract Standing Orders, (revision Feb 2012), should be used for installations of this nature and scale. This will be adhered to in future. In relation to this development, it should be noted that the work involved the installation of over twenty pieces</p>

Audit Report	Recommendation	Responsible Officer	Current position
	<p>and used as a basis for each interim payment, which should be supported by detailed contractor invoices. For this contract it would appear that the work completed was only confirmed by certifying the contractor's invoices for payment. Unless proper valuations are made there may be a risk of "front loading" whereby payments are made prior to items of work being completed, or of the Council being charged for works which are not carried out. (This process/methodology utilised is further weakened by the lack of formal site minutes.);</p> <ul style="list-style-type: none"> • the requirement for the contractor to provide evidence that their Public Liability Insurance is both current and valued at a minimum of £10m. (The contractor has not been required to provide such assurances.); • retention of 5% from each instalment payment until all the work is completed to the Council's satisfaction. A contractor could "walk off the site" after the payment 		<p>of "off the shelf" playground equipment, most of which replaced existing kit. None of the work was bespoke, the only variable being the topography and the equipment layout.</p> <p>This recommendation is retrospective for this contract and there is no action to be taken. However, this committee should continue to monitor contracts to ensure appropriate documentation is in place</p>

Audit Report	Recommendation	Responsible Officer	Current position
	<p>of his final invoice leaving the Council with little recourse in the event of unfinished work;</p> <ul style="list-style-type: none"> • the requirement for the contractor to arrange a bond to the value of 10% of the contract or retention of 10% of the contract sum from the first instalment has not been included in the contract. The purpose of the bond is to enable the Council to complete the work in the event of the contractor failing; and <p>the provision for liquidated and ascertained damages, where the contractor has failed to return possession of the site to the Council on the agreed contract date for completion. (This work is reported as being delayed by three weeks. The Council has therefore not received any compensation from the contractor.)</p>		

AUDIT COMMITTEE		Part One (D) Agenda Item 9
Date of Meeting: 13th December, 2012		
Reporting Officer: Policy Review Officer		
<p>Title: Risk Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with the Council's risk register.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>		

Report

The risk register for 2012/13 is attached as **Appendix A** it continues to focus on those business critical risks which are under the control of the Council.

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

Background Papers

Nil

Barrow Borough Council's Key Priorities 2012-2015.

KP1 Provide good quality efficient and cost effective service while reducing overall expenditure.

The Executive Director has overall responsibility for this priority

Objective		Action required	Expected completion date	Responsible officer
1	Complete all weather soccer centre	Full Council to approve prudential borrowing following Executive Committee approval in April	December 2012	Assistant Director of Community Services
2	Renegotiate the Council's catering contract	Complete review of current provision with existing contractor. Renegotiate new contract or go out to tender	March 2013	Assistant Director of Community Services
3	Understand the expectation and aspirations of our tenants	Carry out survey of tenants and residents	March 2013	Housing Manager
4	Mitigate the impact of the reduction in recycling rewards.	Review collection methods to maximise recycling income and reduce collection costs	On-going process	Assistant Director of Community Services
5	Continue to develop Member's skills	Actively encourage all Members to access the Modern Councillor on-line e-learning facility	On-going process	Democratic Services Manager

KP2 Continue to support housing market renewal including an increase in the choice and quality of housing stock and the regeneration of our oldest and poorest housing.

The Executive Director has overall responsibility for this priority

Objective		Action required	Expected completion date	Responsible officer
1	Carry out group repair work to 240 properties in sub areas A and E of the North Central Renewal Area	Chimney stack repairs Door and window replacement Rendering and new rain water goods Cavity wall insulation	March 2014	Housing Renewal Manager
2	Build 27 three bedroom social houses	Identify appropriate sites in partnership with Accent Housing. Complete the houses	March 2015	Housing Manager
3	Improve low demand housing and bring 229 empty properties back into use	Target £3.442M allocated from the Cluster of Empty Homes Fund for the refurbishment of Barrow Island flats and associated public realm improvements	March 2014	Housing Renewal Manager

KP3: Work to mitigate the effects of the recession and cuts in public expenditure and their impact on the local economy and secure a sustainable and long term economic recovery for our community

The Executive Director has overall responsibility for this priority

Objective	Action required	Expected completion date	Responsible officer
1	Provide modern office space to help attract businesses to the borough Complete transfer of waterside house to BAE Systems. (Complete) Complete refurbishment of Phoenix Business Centre	August 2014	Housing Renewal Manager
2	Mitigate the impact of reduced central fund for the Council Tax Reduction Scheme Agree local arrangements to mitigate the impact of the Council Tax Reduction Scheme	March 2015	Borough Treasurer

KP4: Continue to improve and enhance the built environment and public realm, working with key partners to secure regeneration of derelict and underused land and buildings in the borough.

The Executive Director has overall responsibility for this priority

Objective	Action required	Expected completion date	Responsible officer
1	Complete the external refurbishment of 102 Abbey Road Complete building work Complete car park work	December 2012	Assistant Director of Regeneration and the Built Environment
2	Construct a roof on Level C of the multi storey car park Complete design work Complete construction	March 2013	Technical Services Manager

AUDIT COMMITTEE	Part One (D) Agenda Item 10
Date of Meeting: 13th December, 2012	
Reporting Officer: Policy Review Officer	
<p>Title: Performance Management</p> <p>Summary and Conclusions:</p> <p>To provide Members with the Council's performance management report for Quarters 1 and 2.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>	

Report

The Council's Key Priorities for 2012/15 are:-

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

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

KP 1:

- Complete the all-weather soccer centre. **This was due to be completed in December 2012 but has been subject to delays and will be completed in March 2013.**

- Renegotiate the Council's catering contract.
- Carry out a Survey of Tenants and Residents (STAR survey) to understand the expectations and aspirations of our tenants.
- Review recycling collections to maximise recycling income and mitigate the impact of a reduction in the value of recycling rewards.
- Actively encourage all Members to access the Modern Councillor online e-learning facility'

KP 2:

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

KP 3:

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

KP 4:

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

Progress against these actions is recorded in the attached action plan. None of the actions were due to be completed in quarter 1 (**Appendix B**).

Key performance Indicators

Table 1 is a selection of existing indicators and table 2 shows income against budget

Local indicators

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

The NNDR figure were low at the end of the quarter but have since recovered. The sickness figure is worse than we typically see in the second quarter and should be monitored closely. The percentage of waste recycled has increased however the tonnage is lower and this will impact on the value of the recycling rewards.

Income

Table 2 shows the income figures for quarter 1 against the current budget and provides a comparison with the quarter 1 figures for 2011/12.

Income quarters 1&2

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

The income is subject to seasonal variation which distorts the figures but despite this the income is lower than expected. As a result the budget income has been revised.

Background Papers

Nil

Risk Register November 2012

Inherent risk score					Residual risk score					
	Threat	Inherent risk score			Potential impact	Mitigating actions	Responsible Officer	Residual risk score		
		Likelihood	Impact	Score				Likelihood	Impact	Score
1	The Council faces £5M budget deficit for the period up to 2015	5	5	25	The Council fails to address the budget deficit resulting in the Council having insufficient funds to deliver its statutory duties and contracted services	The Council has set a budget to achieve the savings for 2012/15 but some additional savings will need to be made if the price changes don't generate the expected income The Council will use some of its reserve funds to reduce the impact on service delivery and the pace of change.	Executive Director and Borough Treasurer	5	3	15
2	The economy remains depressed	5	5	25	This will have a significant impact on the Council's revenue streams and may result in a larger than anticipated deficit	The Council will endeavour to maximise income streams and reduce costs The Council monitors the budget on a regular basis and can review service delivery if required	Management Board	5	5	25
3	Impact of the Council's comprehensive spending review on delivery of services	5	4	20	The spending review will challenge all services and if it is not properly managed may result in a loss of staff moral and customer confidence. The Council tried to minimise compulsory redundancies	The service review has reflected the Council's updated key priorities. Some reduction in service is inevitable given the size of the budget deficit The Council will give a clear statement on priorities and will establish effective internal and external consultation and communication processes. The Council will use its reserves to control the pace of change to suit the of the organisation and the community	Executive Director and Borough Treasurer	4	2	8
4	Impact of redundancies and recruitment freeze on service delivery and staff.	5	4	20	Voluntary redundancies and vacancies may result in short-term pressure on service delivery with consequential impact on staff moral and customer satisfaction	Business critical posts will be exempt from the recruitment freeze. Any significant impact on service delivery will be communicated internally and externally pending the outcome of the spending review.	Executive Director and Borough Treasurer	3	3	9

5	Impact of changes to the benefit system on income for the housing Department	5	4	20	75% of the Services income is received through Housing Benefit. At 2012 rents this will equate to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income.	A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan. The Service has recently reviewed it's Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected.	Housing Manager	5	3	15
6	Local Council Tax Reduction Scheme to be agreed by the 31st January 2013, financed by a direct grant reduced by at least 10%.	5	4	20	The Council has a statutory duty to adopt a local Council Tax Reduction Scheme by the 31st January 2013. There are statutory consultation requirements with the major preceptors and the public. The subsidy previously received is to be reduced nationally by 10% and become a direct grant split between the major preceptors. The Council may pass all or some of the 10% reduction onto claimants, or find savings and efficiencies internally. The grant will be determined by Central Government and will assume caseload and take up changes.	The Council has begun the consultation with Members as early as possible. Guidance was issued by the CLG on the 17th May 2012, but further guidance is expected. Consultation on an 'in principle' scheme will take place with the major preceptors in June/July. Members will be asked to consider the current discounts awarded for council tax liability as these would benefit all the major preceptors. It is necessary to consider the impact of caseload and take up changes locally in addition to potential collection costs. The 'default' prescribed scheme will be applied to the Council should it fail to agree a local scheme. The funding of the 10% shortfall must be addressed as soon as possible. The local scheme applies for 2013-2014. Cumbria Chief Finance Officers group are working together to implement the Council Tax Reduction Scheme.	Executive Director and Borough Treasurer	5	4	20
7	Failure to deliver Waterfront Barrow regeneration programme	4	4	16	This will damage the profile of barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council has allocated sufficient capital funding to complete the site assembly. The project can progress in phases subject to the availability of funding.	Executive Director	3	4	12
8	Impact of pay review	4	4	16	Potential staff unrest. Increase in staff costs. Failure to agree the outcomes of the job evaluation process.	Following the implementation of the outcomes of the Council's spending review posts will be allocated salary scales based on the pay review. An equal pay audit has been undertaken and no significant risks have been identified.	Director of Corporate Services	4	3	12

9	Reduction in recycling reward scheme payments from Cumbria County Council	5	4	20	Cumbria County Council are intending to reduce the value of recycling rewards to the statutory minimum which will reduce the Council's income by £250k per annum.	The Council is reviewing its waste collection and recycling service to reduce the cost of collections The Council has applied for Weekly Collection Support Scheme funding to allow us to retain weekly waste collections	Assistant director of Community Services	5	3	15
11	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors The Council retains the intellectual property and assets that will support continuity of services	Management Board	3	5	15
12	The Council incurs significant uninsured losses	3	4	12	This could have a detrimental impact on the Council's reserves and its reputation	The Council risk management arrangements will minimise uninsured losses.	Borough Treasurer	3	2	6
13	Level of sickness worsens	4	3	12	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to maintain the current relatively low levels. The impact of elevated levels would only be moderate.	Deputy Executive Director	4	2	8
14	Not having appropriate governance arrangements in place	2	5	10	The Council may lose focus on the purpose of the authority and the wider outcomes for the community	The Council continues to monitor and strengthen its governance arrangements. These include: Audit and scrutiny functions. Treasury management Asset management Resource management Performance management Risk management	Deputy Executive Director	2	3	6
15	Failure to maintain H&S arrangements	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Board has strengthened the Council's H&S arrangements.	Deputy Executive Director	2	3	6
16	Failure of ICT systems	1	4	4	Failure of ICT systems may adversely affect service delivery	The Council has a disaster recovery strategy in place.	Deputy Executive Director	1	3	3

AUDIT COMMITTEE	(D) Agenda Item 11
Date of Meeting: 13th December, 2012	
Reporting Officer: Borough Treasurer	
<p>Title: Revenues and Benefits 2010-2011 VFM Profiles</p> <p>Summary and Conclusions:</p> <p>This report provides comparative information for the revenues and benefits Audit Commission VFM profiles for 2010-2011.</p> <p>Recommendations:</p> <p>Members are recommended to note the report.</p>	

Report

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

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

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

Spend on council tax benefits and housing benefits administration per head

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

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

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

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

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

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

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

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

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

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

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

Authority	Spend per NNDR property	NNDR due collected	NNDR paid by direct debit	Collection allowance £000's
Gosport Borough Council	£61.36	97.50%	~	84
Barrow-in-Furness Borough Council	£48.93	98.20%	37%	101
Weymouth and Portland Borough Council	£39.88	96.60%	~	109
Great Yarmouth Borough Council	£21.30	98.50%	~	189
Shepway District Council	£20.87	98.00%	42%	154

Authority	Spend per NNDR property	NNDR due collected	NNDR paid by direct debit	Collection allowance £000's
Pendle Borough Council	£17.89	97.60%	~	136
Erewash Borough Council	£17.80	97.50%	50%	140
Burnley Borough Council	£17.64	98.30%	~	147
Thanet District Council	£9.72	98.00%	~	193
Mansfield District Council	£7.67	99.20%	49%	131
Swale Borough Council	£0.00	97.20%	43%	172
Dover District Council	-£2.34	98.40%	~	155
Nuneaton And Bedworth Borough Council	-£9.66	98.20%	48%	138
Waveney District Council	-£11.24	98.60%	47%	204
Hyndburn Borough Council	-£12.69	91.90%	34%	135
Lancaster City Council	-£17.28	98.90%	46%	234

~ The Authority did not return this information to CIPFA.

The next table shows the Cumbrian districts:

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

~ The Authority did not return this information to CIPFA.

It is important that Members are aware that the NNDR due collected is measured at 31st March for the return that the Authority submits to CIPFA. The NNDR due collected for 2010-2011 currently stands at 99.2% and continues to be collected.

Background Papers

Nil

AUDIT COMMITTEE	(D) Agenda Item 12
Date of Meeting: 13th December, 2012	
Reporting Officer: Borough Treasurer	
<p>Title: Internal Audit Final Reports</p> <p>Summary and Conclusions:</p> <p>Internal Audit have completed a number of audits in accordance with the approved Annual Plan. The final reports will be presented to Members by the Head of Internal Audit.</p> <p>Recommendations:</p> <p>Members are recommended to consider the final reports and raise any concerns with the Head of Internal Audit.</p>	

Report

There are six final reports for consideration (**Appendix C to H**) by Members:

1. Income Collection
2. Budgetary Control
3. Treasury Management
4. Housing Rents

Contract Audits

5. Arthur Street Demolition
6. Dalton Urban Park and Multi-Use Games Area

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

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

The assurance levels are:

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

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

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

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

The recommendation levels assigned to issues identified are:

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

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

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

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

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 12-01
INCOME COLLECTION

Executive Summary

Introduction

The Borough Council offers a range of methods of payment to its customers. The more traditional options such as cheque, debit/credit cards and direct debit have been supplemented by newer methods which include a dedicated payment hotline, the Internet, Touchtone phone and Allpay payment points. Internet and telephone services are processed through the Axis Income Management system provided by Capita Software Services.

Payment by cash is no longer accepted at the Town Hall, although a number of areas, particularly customer facing services such as car parking and leisure, continue to take cash payments.

During 2011/12, the Council receipted/processed 273,860 transactions with a value of around £178 million. Included in these totals were 171,868 direct debits totalling approximately £25m and 30,742 other “e-commerce” receipts with a value of £3.3m.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test specific internal controls for the collection and receipting of income within the Council. The scope and objectives of the audit were discussed and agreed in advance with Chris Butler, Chief Accountant (Systems) and Caren Hindle, Parking Services Manager.

Key Points
Substantial Assurance
One minor issue

Audit work included testing of the operation of key controls.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which may put some of the system objectives at risk. We have made one Priority 3 recommendation which relates to the production of written procedures for the initial processing of income received in the post.

Internal Audit also reviewed the five agreed recommendations made in Audit Report 11-03, dated June 2011, all of which have been implemented.

Management Response

We have received a constructive management response from Caren Hindle, Parking Services Manager, accepting the recommendation.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 12-08
BUDGETARY CONTROL

Executive Summary

Introduction

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

Budget and actual transactions are recorded and controlled at cost centre level via the Council's Oracle Financial System. Approved budgets for the financial year 2012/13 total:

- General Fund Revenue - £13,152,648
- Capital Programme - £6,405,000
- Housing Revenue Account expenditure/income - £10,020,330.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test the internal controls over the Budgetary Control function. The scope and objectives of the audit were discussed and agreed in advance with Gill Punton, Chief Accountant (Technical).

Audit work included a control evaluation of the system design and testing of 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 no issues of significance have been identified. As such, we have not raised any new recommendations, however we noted two changes in practice during 2012/13. Firstly, a number of established procedures relating to budget preparation had been modified for the current financial year as a result of the impact of the budget reduction strategy; we have been assured that the normal controls have been re-instated for preparation of the 2013/14 Budget. Secondly, the Council is currently in the process of moving from publishing static monthly budgetary control reports on the Intranet for its budget holders to giving those managers direct access to an up to date interactive reporting system. Key budget holders already have access to the system;

until this is available to all managers, the remainder are able to request budgetary control reports from Borough Treasurer's staff.

Management Response

We have received a constructive management response from Gill Punton, 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 12-09
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 2012/13, which was approved by Council on 28 February 2012. 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 2012/13.

During 2012/13, surplus funds have been invested either through HSBC Money Market on a fixed term basis or in an interest bearing deposit account with the Council’s own bank, HSBC plc. No investments have been made directly with counterparties.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test the internal controls over the Treasury Management process. The scope and objectives of the audit were discussed and agreed in advance with Sue Roberts, Borough Treasurer.

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 Sue Roberts, Borough Treasurer, accepting the report.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 12-17
HOUSING RENTS

Executive Summary

Introduction

The Council currently owns and manages 2,705 dwellings and 484 garages. The total stock is relatively static as Right to Buy sales of homes have declined in recent years. The Housing Department is responsible for the monitoring and maintenance of the Council's Housing Rent Account for these properties.

The annual dwellings rent debit for 2012/13 is approximately £9.5m, around 76% of which will be met by housing benefit. At 31 March 2012, current tenant arrears were £181,230, which equates to 1.96% of rent owed, compared to a target of 3.16% for 2011/12. At the same date, former tenant arrears were £92,499, equivalent to 1.02% of rent owed, against a target of 1.29%.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test the internal controls over the Housing Rents system. The scope and objectives of the audit were discussed and agreed in advance with Jane Coles, Business Support Manager.

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

Key Points
Substantial Assurance
One minor issue
One previous recommendation

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that while there is a basically sound system of control, there are weaknesses which put some of the system objectives at risk. We have made one Priority 3 recommendation, which relates to ensuring that weekly rent debit reconciliations are independently reviewed on a regular basis.

In addition, Internal Audit reviewed the one agreed recommendation made in Audit Report 11-20, dated September 2011. This recommendation, which relates to the writing off of old unidentified income transactions which have accumulated in the Rents suspense account, has not been implemented.

Internal Audit also reviewed the one outstanding recommendation made in Audit Report 08-26, dated July 2009, which has now been fully implemented.

Management Response

We have received a constructive management response from Jane Coles, Business Support Manager, accepting the recommendations.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 66
ARTHUR STREET DEMOLITION

Executive Summary

Introduction

This project relates to the demolition of vacant properties in the Arthur Street area of Barrow in Furness, part of the Housing Market Renewal Programme within the North Central Area. The contract was let in the sum of £217,148.55 to the contractor submitting the lowest tender, Marsh Plant Hire; the lead consultants for the project were Arcus Consulting LLP.

The Council subsequently agreed to extend the contract to include several vacant properties in an adjacent area on Marsh Street, with an increase of £143,117.00 to the contract sum.

Audit Objectives

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

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

Key Points
Substantial Assurance
Three important issues

Audit Conclusion – *Substantial Assurance*

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

We have made three Priority 2 recommendations, which concern:

- ensuring that specific requirements stated in Contract Standing Orders are included fully in contract documents;
- recording the date and time that tender envelopes are opened within the Tender Opening Register; and
- ensuring that contract documents are signed and sealed in accordance with contract conditions.

Management Response

We have received a constructive management response from Jeff Bright, Deputy Executive Director, accepting each of the recommendations.

Acknowledgement

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

CONTRACT PARTICULARS

Contract Title:	Demolition of Arthur Street/Marsh Street
Contract Form:	JCT Intermediate Building Contract Revision 2 2009
Contractor:	Marsh Plant Hire
Architect:	Arcus Consulting LLP
Quantity Surveyor:	Arcus Consulting LLP
Other Consultants	-
Tender Sum:	£217,148.55
Contract Sum:	£217,148.55
Authorised Additional Work:	£143,117.00
Date for Possession:	21 st March 2011
Date for Completion:	22 nd July 2011
Date of Practical Completion:	4 th May 2012
Delay in Completion:	40.3 weeks
Extension of Time Granted:	35 weeks
Liquidated and Ascertained Damages provision/paid/received:	£350.00 per week provision.
Minimum Insurance Cover Required Minimum Insurance Cover Confirmed	£5m Public Liability
Minimum Bond Required	10% of the amount tendered Contractor Deposited £21,714.86 with the Council. Repaid following Practical Completion.
Retention Amount	Retention 5% to Practical Completion Retention 2.5% During Defects Period
Submitted Final Account Sum:	£350,265.55
Audited Final Account Sum:	£350,265.55
Percentage increase/decrease: Submitted Final Account against Contract Sum.	0.00%

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 70
DALTON URBAN PARK AND MUGA

Executive Summary

Introduction

The contract under review is for the development and delivery of an urban Multi Use Games Area (MUGA) and Playground to be used by all ages, adjacent to the Dalton Leisure Centre. The contract award followed a tender evaluation, play evaluation and consultation with the public and educational establishments within Dalton in Furness.

Professional services were not directly sourced by the Council, other than requiring the tenderers to make provision for the appointment of the CDM Co-ordinator within their tender submission.

The contractor appointed to complete the groundwork project, Playdale Playgrounds Limited, was to complete the associated works at a Contract Sum of £263,091.00. (Although costs have risen by 2.39% to a potential Final Account of £269,370.34.) The CDM Co-ordinator assigned by Playdale Playgrounds Limited was J Carpenter.

Audit Objectives

The Council's Financial Regulations require Internal Audit to consider for review all contracts issued prior to the Final Account being paid to the Contractor. However, in this instance the contract was not managed as a formally controlled project, including valuations, interim certificates etc. Supplier invoices were used to authorise the work as it progressed to completion of the contract. By agreement with the Borough Treasurer, the review therefore concentrated on compliance with the Council's Contract Standing Orders at the post-tender stage, covering payments made to the contractor, review and monitoring, contract completion and any potential Final Account received.

Key Points

Restricted Assurance

One major issue

Three important issues

Audit Conclusion – *Restricted Assurance*

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

The procurement of a contractor to carry out ground works and supply and fit the play area equipment and facilities had been undertaken utilising "The Chest" on-line procurement function. The same facility was used to prepare a Form of Contract which the Council would rely on for this project. The selected Form of Contract comprised of several individual documents including the invitation to tender, completed Form of Tender and the Council's Standard Terms and Conditions of Contract. However, the

Terms and Conditions were those used for the purchase of services: although appropriate to services and goods, their use for a works contract would appear limited and may not adequately protect the Council for this project.

The use of the chosen Form of Contract led to a related weakness in the financial control of the works, whereby the valuations of the works were provided by the contractor's invoices and not supported by certified Interim Certificates, completed on behalf of the Council.

We have made one Priority 1 recommendation, concerning the use of appropriate forms of contract documentation.

In addition we have made three Priority 2 recommendations relating to:

- maintaining adequate documentation authorising variations to the Contract Document;
- maintaining detailed minutes of site meetings with the contractor; and
- obtaining a final certificate from the contractor.

Management Response

We have received a constructive management response from Keith Johnson, Assistant Director of Community Services, accepting each of our recommendations.

Acknowledgement

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

CONTRACT PARTICULARS

Contract Title:	Development of Playground, Multi Use Games Area and Skatepark in Dalton – in - Furness
Contract Form:	The Contract Form is based on the Council's General Contract – Standard Terms and Conditions of Contract for the Purchase of Services. Articles of Agreement, Recitals etc include the Attestation for Execution as a Deed.
Contractor	Playdale Playgrounds
Architect/Client Officer:	Bill Brown, Parks and Playgrounds Manager
Quantity Surveyor:	N/A
CDM Co-ordinator:	Appointed by Contractor – J Carpenter.
Estimated Costs:	£275,000.00
Contract Sum:	£263,091.00
Date for Possession:	4 th January 2011
Date for Completion:	27 th May 2011
Date of Practical Completion:	17 th June 2011 (to be confirmed)
Delay in Completion:	3 Weeks
Extension of Time Granted:	No
Liquidated and Ascertained Damages provision/paid/received:	Provision for Liquidated and Ascertained Damages is not included within the Form of Contract selected.
Minimum Insurance Cover Required Minimum Insurance Cover Confirmed	Public Liability £10 million Assistant Director –Community Services states Not Applicable.
Minimum Bond Required	Provision for a Bond or 10% of Contract Sum not included within the Form of Contract selected.
Retention Amount	Provision for Retention not included within the Form of Contract selected.
Submitted Final Account Sum:	Total of Invoices submitted £269,370.34
Audited Final Account Sum:	Total of Invoices paid £269,370.34
Percentage increase/decrease: Submitted Final Account against Contract Sum.	Increase of 2.39%

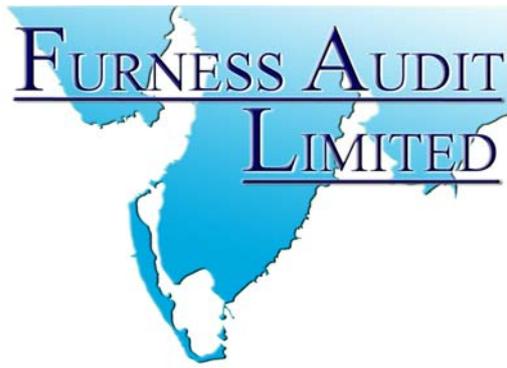
AUDIT COMMITTEE		Part One (D) Agenda Item 13
Date of Meeting: 13th December, 2012		
Reporting Officer: Borough Treasurer		
<p>Title: Internal Audit Progress Report</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Progress Report for the period 1st April, 2012 to 30th November, 2012 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive and consider the Internal Audit Progress Report; and 2. Raise any concerns with the Head of Internal Audit. 		

Report

The Internal Audit Progress Report for the period 1st April, 2012 to 30th November, 2012 is attached at **Appendix I** and will be presented to Members by the Head of Internal Audit.

Background Papers

Nil.



BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to November 2012

2012/13

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EXECUTIVE SUMMARY

Purpose

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

- Internal Audit work performed up to 30 November 2012, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1 April and 30 November 2012. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

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

3. *Rejected Recommendations*

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

4. *Audit Coverage*

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

5. *Classifications of Assurance and Recommendations*

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

1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we have made in our final reports issued up to 30 November 2012; analysed by their priority, including whether accepted by management.

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

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

One Priority One recommendation was made within the reporting period.

Audit Report	DALTON MULTI-USE GAMES AREA CR70
Recommendation	The Council should ensure, for all relevant projects, service provision etc, that an appropriate form of Contract is in place and that each Condition intended for protection is utilised and acted upon.
Rationale	<p>Internal Audit have identified several areas which have not been included in the contract documents due to the fact that Standard Terms and Conditions for the Purchase of Services were used, which may not provide the Council with the protection associated with previous works contracts, such as:</p> <ul style="list-style-type: none"> • the value of the work completed should be valued at agreed intervals and used as a basis for each interim payment, which should be supported by detailed contractor invoices. For this contract it would appear that the work completed was only confirmed by certifying the contractor's invoices for payment. Unless proper valuations are made there may be a risk of "front loading" whereby payments are made prior to items of work being completed, or of the Council being charged for works which are not carried out. (This process/methodology utilised is further weakened by the lack of formal site minutes.); • the requirement for the contractor to provide evidence that their Public Liability Insurance is both current and valued at a minimum of £10m. (The contractor has not been required to provide such assurances.); • retention of 5% from each instalment payment until all the work is completed to the Council's satisfaction. A contractor could "walk off the site" after the payment of his final invoice leaving the Council with little recourse in the event of unfinished work; • the requirement for the contractor to arrange a bond to the value of 10% of the contract or retention of 10% of the contract sum from the first instalment has not been included in the contract. The purpose of the bond is to enable the Council to complete the work in the event of the contractor failing; and • the provision for liquidated and ascertained damages, where the contractor has failed to return possession of the site to the Council on the agreed contract date for

	<p>completion. (This work is reported as being delayed by three weeks. The Council has therefore not received any compensation from the contractor.)</p>
<p>Response</p>	<p>The Assistant Director – Community Services accepts that a form of contract under Contract Standing Orders, (revision Feb 2012), should be used for installations of this nature and scale. This will be adhered to in future. In relation to this development, it should be noted that the work involved the installation of over twenty pieces of “off the shelf” playground equipment, most of which replaced existing kit. None of the work was bespoke, the only variable being the topography and the equipment layout.</p>

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

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

3.2 PRIORITY TWO RECOMMENDATIONS

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

4. INTERNAL AUDIT COVERAGE:

APRIL – NOVEMBER 2012

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

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

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

4. CLASSIFICATIONS

5.1 Classification of Assurance Levels

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

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

5.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

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

APPENDIX 1 – DRAFT REPORTS ISSUED

All draft reports issued in the period have been finalised.

APPENDIX 2 – RESTRICTED ASSURANCE AUDITS

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