

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 26th June, 2014
at 2.00 p.m. (Committee Room No. 4)

A G E N D A

PART ONE

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

3 **Admission of Public and Press**

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

4 Declarations of Interest

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

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

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

- 5 To confirm the Minutes of the meeting held on 6th March, 2014 (copy attached) (Pages 1-14).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. External Audit Fee Letter 2014-2015 (Page 15).
- (D) 8. External Audit – Fraud Briefing (Page 16).

- (D) 9. External Audit Plan for the Year Ended 31st March, 2014 (Page 17).
- (D) 10. External Audit – Committee Update (Page 18).
- (D) 11. Internal Audit Final Reports (Pages 19-20).
- (D) 12. Internal Audit Annual Report 2013-2014 (Page 21).
- (D) 13. Internal Audit Charter (Page 22).
- (D) 14. Annual Review of Internal Audit 2013-2014 (Pages 23-25).
- (D) 15. Internal Audit Performance Indicators (Page 26).
- (D) 16. Audit Committee Terms of Reference (Pages 27-28).
- (D) 17. Annual Review of Audit Committee Effectiveness (Page 29).
- (D) 18. Accounts – Committee Update (Pages 30-31).
- (D) 19. Annual Governance Statement (Pages 32).
- (D) 20. Risk Management (Page 33).
- (D) 21. Monitoring Priority 1 Recommendations (Pages 34-37).

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

Membership of Committee

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

For queries regarding this agenda, please contact:

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AUDIT COMMITTEE

Meeting Thursday 6th March, 2014
at 2.00 p.m.

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

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

41 – Declarations of Interest

Councillor Pointer declared an Other Registrable Interest in Agenda Item 21 – 2013-2014 Accounts Update (Minute No. 56) as he was a member of the Barrow and District Disability Association, a member of the Credit Union and the Council's nominated representative on Barrow Citizens' Advice Bureau.

42 – Minutes

The Minutes of the meeting held on 12th December, 2013 were taken as read and confirmed.

43 – Apologies for Absence/Attendance of Substitute Members

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

44 – Risk Management

The Policy Review Officer attached as an appendix to his report, the Risk Register for 2013-2014. He reported that the Register continued to focus on those business critical risks which were under the control of the Council. The Risk Register had been reviewed by Management Board at their meeting on 10th February, 2014 and the following change had been made:-

The mitigated impact score for Risk 6 – The impact of welfare reform, had been reduced from 4 to 3 giving a risk score of 12. The Housing Manager had been satisfied that the mitigating actions were effective.

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

A Member had suggested that a RAG (Red, Amber, Green) reporting method for the risks would be useful. The Policy Review Officer advised that he would look into that and seek approval from Management Board to amend the reporting patterns.

RESOLVED:- To note the information.

45 – Code of Corporate Governance

The Policy Review Officer reported that the Council produced a Code of Corporate Governance which was reviewed on an annual basis. A draft version of the Code had been tabled at the last meeting on 12th December, 2013 (Minute No. 39 refers). He reported that he had received feedback from the Chairman and Vice Chairman of this Committee and that the draft version had also been presented to the assurance group who had provided their feedback.

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

This Committee had been invited to endorse the Code of Corporate Governance which had been attached as an appendix to the Policy Review Officer's report.

RESOLVED:- To endorse the Code of Corporate Governance and agree that it could be published on the Council's website.

46 – Monitoring Priority 1 Recommendations

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

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

At the last meeting of this Committee there had been just one outstanding Priority 1 risk relating to the Business Continuity Plan and that was still outstanding. A draft Business Continuity Plan had been submitted to Management Board in June 2013 and the Council had been working on the infrastructure to support the Information and Communication Technology Disaster Recovery Plan. It was noted that an alternative location for replica computer servers and telephone systems had now been identified and that the Council were currently in the process of obtaining quotations for communication links between the Town Hall and the remote location. It was anticipated that this would be completed by the end of Quarter 4 or early in Quarter 1.

RESOLVED:- To note the information.

47 – Internal Audit Final Reports

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

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

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

1. Document Retention – Substantial Assurance;
2. National Non Domestic Rates – Substantial Assurance;
3. Budgetary Control – Substantial Assurance;
4. Payroll – Unqualified Assurance; and
5. Dock Museum New Access and Replacement Car Park – Substantial Assurance.

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

In respect of the Dock Museum New Access and Replacement Car Park it was noted that the total works had been valued 22.3% higher than the original tender. A Member had questioned how this would impact on the second closest tender and the Borough Treasurer advised that the increase specifically related to traffic issues which had been reported formally to the Executive Committee.

RESOLVED:- To note the Internal Audit Final Reports.

48 – Internal Audit Progress Report

The Borough Treasurer reported that the Internal Audit Progress report for the period 1st April, 2013 to 25th February, 2014 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 (39). It was noted that 36 of the recommendations had been fully accepted and 3 partly accepted. Each of the recommendations had been assigned a priority graded 1-3, 1 being major issues and 3 being minor issues. 29 had been assigned Priority 2 and 10 had been assigned Priority 3.

A Member had questioned how long it had been since the last audit of Barrow Playing Field Users Association. The Head of Internal Audit advised that it had been in excess of two years and it was anticipated that the next audit would be completed within twelve months.

In respect of the Catering and Events Management audit assignment which had been given a Restricted assurance, a Member had questioned how long it would be before the assurance became Substantial. The Head of Internal Audit advised that it was anticipated that the audit would be finalised and reported to the next meeting of this Committee.

RESOLVED:- That the report be received.

49 – Internal Audit Annual Plan 2014-2015

The Borough Treasurer reported that the Internal Audit Annual Plan for 2014-2015 had been produced by the Head of Internal Audit. The Head of Internal Audit attended the meeting to present the report to Members. He informed the Committee that the number of days allocated to each audit had been done on a risk based approach.

A copy of the Internal Audit Annual Plan for 2014-15 had been appended to the report.

RESOLVED:- That the Internal Audit Annual Plan for 2014-2015 be agreed.

50 – External Audit Certification Report 2012-2013 Update

Jackie Bellard of External Audit reported that the Certification Report for 2012-2013 had been presented at the meeting on 12th December, 2013 and that since then an additional appendix setting out the audit fees had been produced, this had been appended to the report for Members' information.

RESOLVED:- To note the additional appendix of the Certification Report for 2012-2013.

51 – External Audit Benchmarking Financial Resilience

Jackie Bellard of External Audit reported that a report benchmarking the Council's arrangements for financial resilience had been produced; a copy of which had been appended to the report. It was noted that the report included a review to determine whether Councils had proper arrangements in place for securing financial resilience. In doing so, External Audit considered whether Councils had robust financial systems and processes in place to manage their financial risks and opportunities, and to secure a stable financial position that enabled them to continue to operate for the foreseeable future. The benchmarking compared the Council with the total population of over 130 Councils and also with sub-populations as follows:-

- Cumbria Councils only; and
- District Council type only.

The Financial Resilience report assessed the Council as Green and concluded that whilst the Council had, in common with all Local Authorities, faced a significant reduction in the level of financial support it received from Central Government, its current arrangements for securing financial resilience were appropriate.

RESOLVED:- That the report be received.

52 – External Audit Committee Update

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

A table of progress as at March 2014 had been presented as follows:-

Work	Planned Date	Complete?	Comments
<p>2013-2014 Accounts Audit Plan</p> <p>External Audit are required to issue a detailed accounts audit plan to the Council setting out their proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>		March	External Audit would submit and present the 2013-14 accounts audit plan to the Borough Treasurer and the Audit Committee Chair for agreement ahead of it being formally tabled at the next Audit Committee meeting in June.
<p>Interim Accounts Audit</p> <p>External Audit's interim fieldwork visit included:</p> <ul style="list-style-type: none"> • Updating their review of the Council's control environment; • Updating their understanding of financial systems • Review of Internal Audit reports on core financial systems; • Early work on emerging accounting issues; • Early substantive testing; and • Proposed Value for Money conclusion. 	November to December 2013	In progress	The outcome of External Audit's interim coverage would inform the nature and scope of their opinion audit coverage on the Authority's financial statements.
<p>2013-14 Final Accounts Audit</p> <p>Including:-</p> <ul style="list-style-type: none"> • Audit of the 2013-14 financial statements; • Proposed opinion on the Authority's accounts; and 	June – September 2014	June – September 2014	External Audit would discuss and agree the timing of their audit coverage, working papers and key finance staff availability to

<ul style="list-style-type: none"> Proposed Value for Money conclusion. 			<p>ensure the audit is conducted and concluded in a timely, efficient and effective manner.</p>
<p>Value for Money (VfM) Conclusion</p> <p>The scope of work to inform the 2013/14 VfM conclusion comprises a review of relevant documentation and discussion with key contacts to assess the Council's arrangements against the Audit Commission's VfM criteria.</p>	<p>January – September June 2014 2014</p>		<p>External Audit would have substantially completed their VfM audit work before they commence their audit coverage.</p> <p>They would reach their final VfM conclusion in September having considered, amongst other things, the potential impact of any issues arising from the financial accounts audit.</p>

The Borough Treasurer had provided comments on the issues identified in the table above under the Agenda Item '2013-2014 Accounts Update' (Minute No. 57 refers).

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

53 – External Audit Plan for the Year Ended 31st March, 2014

The Borough Treasurer reported that the External Audit Plan for the year ended 31st March, 2014 was currently being prepared and required the results of interim accounts work before it could be finalised. Given that the next meeting of this Committee was in June 2014, she had requested that acceptance of the External Audit Plan for the year ended 31st March, 2014 be delegated to herself and the Audit Committee Chairman. Once accepted, the External Audit Plan would be circulated to Audit Committee Members and reported to the next meeting of the Committee.

RESOLVED:- To agree that the External Audit Plan for year ended 31st March, 2014 be accepted by the Borough Treasurer and the Audit Committee Chairman. The External Audit Plan would then be reported to the next Committee meeting.

54 – Accounting Policies 2013-2014

The Borough Treasurer reported that the Council's Accounting Policies had been reviewed to ensure that they remained relevant, current and reflected best practice.

It was noted that it was the responsibility of the Borough Treasurer to select suitable accounting policies and apply them consistently. Any significant changes in accounting policies were reported in the Statement of Accounts. These changes would be highlighted in the Code of Practice on Local Authority Accounting in the United Kingdom each year.

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

The revised accounting policies had been appended to the Borough Treasurer's report for Members' information, the changes had been summarised as follows:-

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

Changes in Accounting Policy

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

- the nature of the change in accounting policy;
- the reasons why applying the new accounting policy provides reliable and more relevant information;
- for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;

- the amount of the adjustment relating to periods before those presented, to the extent practicable; and
- if retrospective application was impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Future Accounting Standards – Disclosures

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

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

Accounting Policies for 2013-2014

The specific accounting policies that had been updated were:

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

RESOLVED:- To approve the Accounting Policies for the Council's 2013-2014 Statement of Accounts.

55 – Going Concern

The Borough Treasurer reported that the Council was required to assess and determine that it was appropriate to prepare the financial statements on a going

concern basis. The review should take account of all available information about the future, which was at least, but not limited to the next twelve months from the end of the reporting period.

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

The Borough Treasurer advised the Committee that Management Team had considered all relevant factors and determined that the going concern concept applied to the Council.

RESOLVED:- To agree that the Council was a going concern and that it was appropriate for the accounts to be prepared on a going concern basis.

56 – 2013-2014 Accounts Update

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

She reported that the annual closedown timetable had been prepared and was being taken out to Managers by the Accountants. She reported that her Department had been absorbing a maternity leave during the closedown and all of the associated cost centres had been distributed amongst the remaining Accountants. The Accountancy Services Manager would manage the workload as part of managing the Accountants as a whole.

It was noted that from April, the Borough Treasurer would be taking on additional responsibilities and duties. However, she assured Members that this would not take her away from working on the Council's Statement of Accounts. In the longer term it was likely that she would stop preparing some of the items in the Accounts but retain her quality assurance and technical compliance role. For the 2013-2014 closedown she would continue to prepare various items within the Accounts and provide technical advice when required.

The data requests for Departments, Members and Officers had all been prepared and would be despatched nearer to the year end.

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

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

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

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

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

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

Medium Term Financial Plan

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

Segmental reporting

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

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

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

Other Updates

The External Auditors update report on the agenda today identified a number of recent issues or current affairs (Minute No. 52 refers). The Borough Treasurer provided Members with the Council's arrangements in relation to each item summarised as follows:-

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

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

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

57 – Audit Committee Work Plan

The Borough Treasurer submitted a report setting out the Audit Committee Work Plan which would be the basis for the agenda of the meetings throughout 2014-2015.

The items listed within the plan were not exclusive as others could be brought to the 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 Council's Constitution. The reports were aligned to the relevant area, together with the reporting Officer and the reporting cycle noted in the final columns.

The Audit Committee Work Plan had been appended to the Borough Treasurer's report.

RESOLVED:- That Members agree the Work Plan for 2014-2015.

REFERRED ITEMS

THE FOLLOWING MATTERS ARE REFERRED TO COUNCIL FOR DECISION

58 – Financial Regulations and Contract Standing Orders

The Borough Treasurer reported that the Financial Regulations provided the overall key control framework to enable the Council to exercise effective financial management and control of its resources and assets. The Regulations supported and protected Members and staff in the performance of their duties where financial issues were involved.

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

Both the Financial Regulations and Contract Standing Orders had been reviewed and amendments had been proposed to the documents, as outlined in the Borough Treasurer's report. Full copies of the revised documents had been appended to the report.

It was noted that the Financial Regulations and Contract Standing Orders would be formally endorsed by the Council as a key part of the Council's Constitution.

RECOMMENDED:- To recommend the Council to approve the amendments to the Financial Regulations and Contractor Standing Orders as outlined below:-

Financial Regulations Amendments:-

- Borough Treasurer changed to Director of Resources;
- Deputy Executive Director changed to Director of Resources or removed;
- Chief Accountants changed to Accountancy Services Manager and Financial Services Manager;
- Sustainable Community Strategy and key priorities changed to Council Priorities;
- Personnel changed to HR;
- Virement limit introduced for Accountancy Services Manager and Financial Services Manager;
- Section 7, 4.b, amended to better reflect matching supplements where additional income or grant is matched by expenditure;
- Section 8, 1.b, amended to include the use of Contract Standing Orders below £100,000;
- Section 8, 4.d, amended to include Accountancy Services Manager and Financial Services Manager;
- Section 11, paragraph 8, item deleted as NNDR is now localised and this referred to the National Pool;
- Section 13, 4, amended to include Accountancy Services Manager and Financial Services Manager;
- Section 14, paragraph 5 all deleted as this is covered in the Information Security Policy; and
- Section 19, 9, amended to include the Leader of the Council, other Members and External Auditors.

Contract Standing Orders Amendments:-

- Deputy/Chief Officer amended to Responsible Contract Manager;
- As appropriate amended the reference to appropriate Chief Officer to Capital Programme Group or Management Board;
- Section 1 amended to include the use of Contract Standing Orders below £100,000;
- Section 1 amended as the EU thresholds were reset on 1st January, 2014;
- Section 2 added to set out the Council's minimum contract award process;
- Section 4 amended to include the requirements of a framework agreement – pre-vetted contractors;
- Section 5 amended to include the time of the tender submission;

- Section 6 amended to include the retention of tender packaging, recording electronic tender opening in the Council's tender opening register and that tenders should normally be opened by Council Officers with the appropriate Member presence;
- Section 13 renamed 'Project Review Report' and amended to clarify post implementation reporting requirements;
- Section 14 renamed 'Contract Clauses' and amended to include the requirement for Data Sharing Agreements; and
- Section 14 amended to remove reference to the 2.5% final account.

59 – Anti-Fraud Policies

The Borough Treasurer reported that the Anti-Fraud and Corruption Policy sets out the Council's commitment to the prevention and detection of fraud and corruption. It outlined the responsibilities of staff, Members and management and set out the procedures to be followed where suspicion of financial or other irregularity was raised.

The Whistle Blowing Policy applied to all staff, Members and those Contractors working for the Council on the Council's premises. The Policy set out the Council's expectation that serious concerns were raised.

Both the Whistle Blowing Policy and the Anti-Fraud and Corruption Policy had been reviewed and amendments had been proposed to the documents, as outlined in the Borough Treasurer's report. Full copies of the revised documents had been appended to the report.

The Anti-Fraud and Corruption Policy was published on the Council's website and the Whistle Blowing Policy on the Council's Intranet. It was noted that both policies would be promoted to staff again following this meeting and that the revised documents would also be issued to Members.

RECOMMENDED:- To recommend the Council to approve the amendments to the Whistle Blowing Policy and Anti-Fraud and Corruption Policy as outlined below:-

Whistle Blowing Policy:-

- The reporting of Fraud Hotline usage to the Audit Committee had been added.

Anti-Fraud and Corruption Policy:-

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

The meeting closed at 3.42 p.m.

AUDIT COMMITTEE		<u>Part One</u> (D) Agenda Item 7
Date of Meeting: 26th June, 2014		
Reporting Officer: Director of Resources		
<p>Title: External Audit Fee Letter 2014-2015</p> <p>Summary and Conclusions:</p> <p>The fee letter for 2014-2015 has been received from the External Auditor. The Main Audit fee remains the same as 2013-2014.</p> <p>Recommendations:</p> <p>Members are recommended to note the External Audit fee for 2014-2015.</p>		

Report

The External Audit fee letter for 2014-2015 is attached at **Appendix 1**. The Main Audit fee remains the same as 2013-2014. The Grant Certification fee has reduced by £2,890 as the areas requiring grant certification have reduced.

Background Papers

Nil



24 APR 2014

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17 April 2014

Dear Sue

Planned audit fee for 2014/15

The Audit Commission has set its proposed work programme and scales of fees for 2014/15. In this letter we set out details of the audit fee for Barrow-in-Furness Borough Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as "the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes." The Council's scale fee for 2014/15 has been set by the Audit Commission at £67,259, which compares to the audit fee of £67,259 for 2013/14.

Further details of the work programme and individual scale fees for all audited bodies are set out on the Audit Commission's website at: www.audit-commission.gov.uk/audit-regime/audit-fees/proposed-work-programme-and-scales-of-fees-201415

The audit planning process for 2014/15, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and a separate report of our findings will be provided.

Certification of grant claims and returns

The Council's composite indicative fee has been set by the Audit Commission at £18,310.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2014	16,814.75
December 2014	16,814.75
March 2015	16,814.75
June 2015	16,814.75
Grant Certification	
December 2015	18,310.00
Total	85,569.00

Our team

The key members of the audit team for 2014/15 are:

	<u>Name</u>	<u>Phone Number</u>	<u>E-mail</u>
Engagement Lead	Jackie Bellard	0161 234 6394	Jackie.bellard@uk.gt.com
Engagement Manager	Len Cross	0161 234 6387	leonard.e.cross@uk.gt.com
Audit Executive	Daniel Watson	0161 234 6344	Daniel.watson@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Head of Public Sector Assurance

Yours sincerely

Jackie Bellard

Jackie Bellard
For Grant Thornton UK LLP

AUDIT COMMITTEE	Part One (D) Agenda Item 8
Date of Meeting: 26th June, 2014	
Reporting Officer: Director of Resources	
<p>Title: External Audit – Fraud Briefing</p> <p>Summary and Conclusions:</p> <p>The Audit Commission have published a Fraud Briefing from the Protecting the Public Purse work carried out in 2012-2013. 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>	

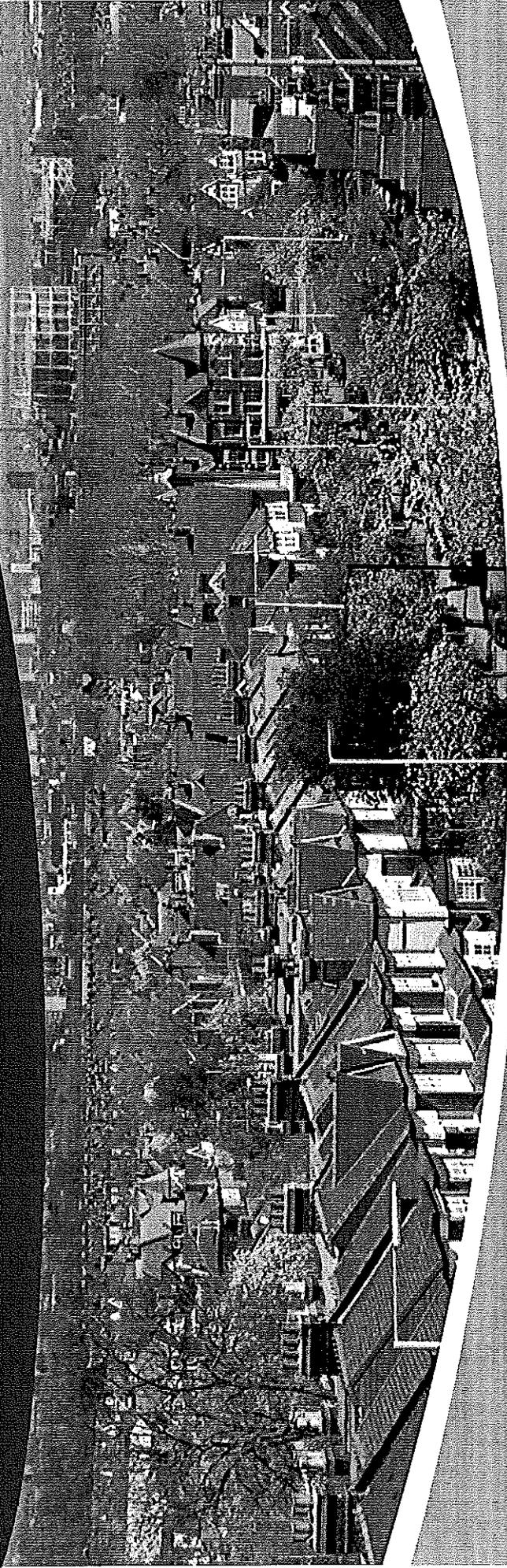
Report

The Audit Commission have produced a Fraud Briefing from the Protecting the Public Purse work carried out in 2012-2013. The report is attached at **Appendix 2** and will be presented to Members by the External Auditor.

Background Papers

Nil

Protecting the Public Purse Fraud Briefing 2013 Barrow-in-Furness Borough Council



Agenda

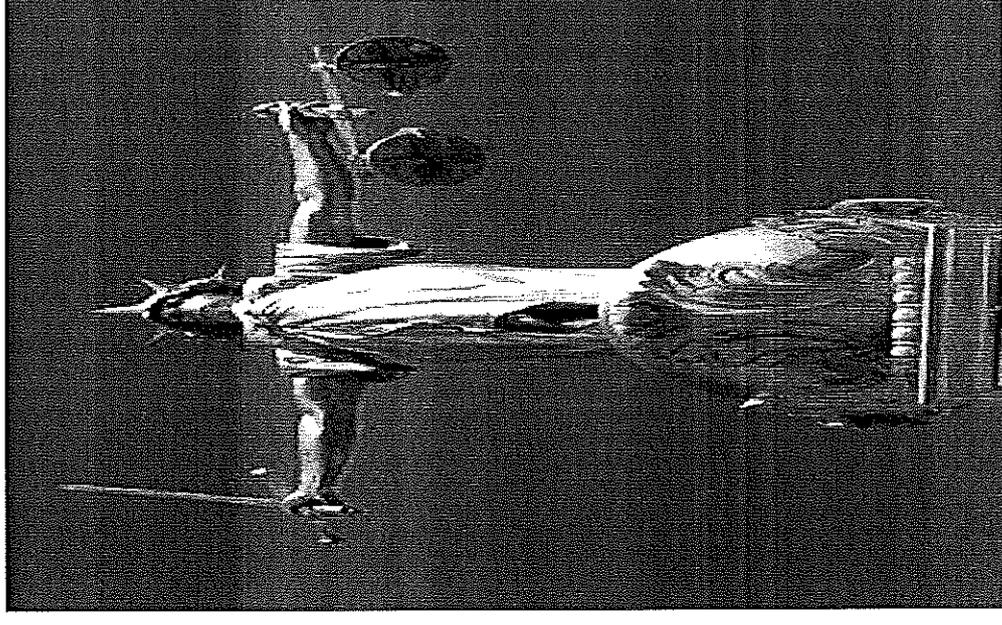
- Introduction and purpose of your Fraud Briefing
- *Protecting the Public Purse (PPP) 2013* report – national picture
- Interpreting fraud detection results
- The local picture
- Questions?

And do not forget

- Checklist for those charged with governance (Appendix 2 of PPP 2013)
- Questions councillors may want to ask/consider (Appendix 3 of PPP 2013)

Introduction

- Fraud costs local government in England over £2 billion per year (source: *National Fraud Authority*)
- Fraud is never a victimless crime
- Councillors have an important role in the fight against fraud

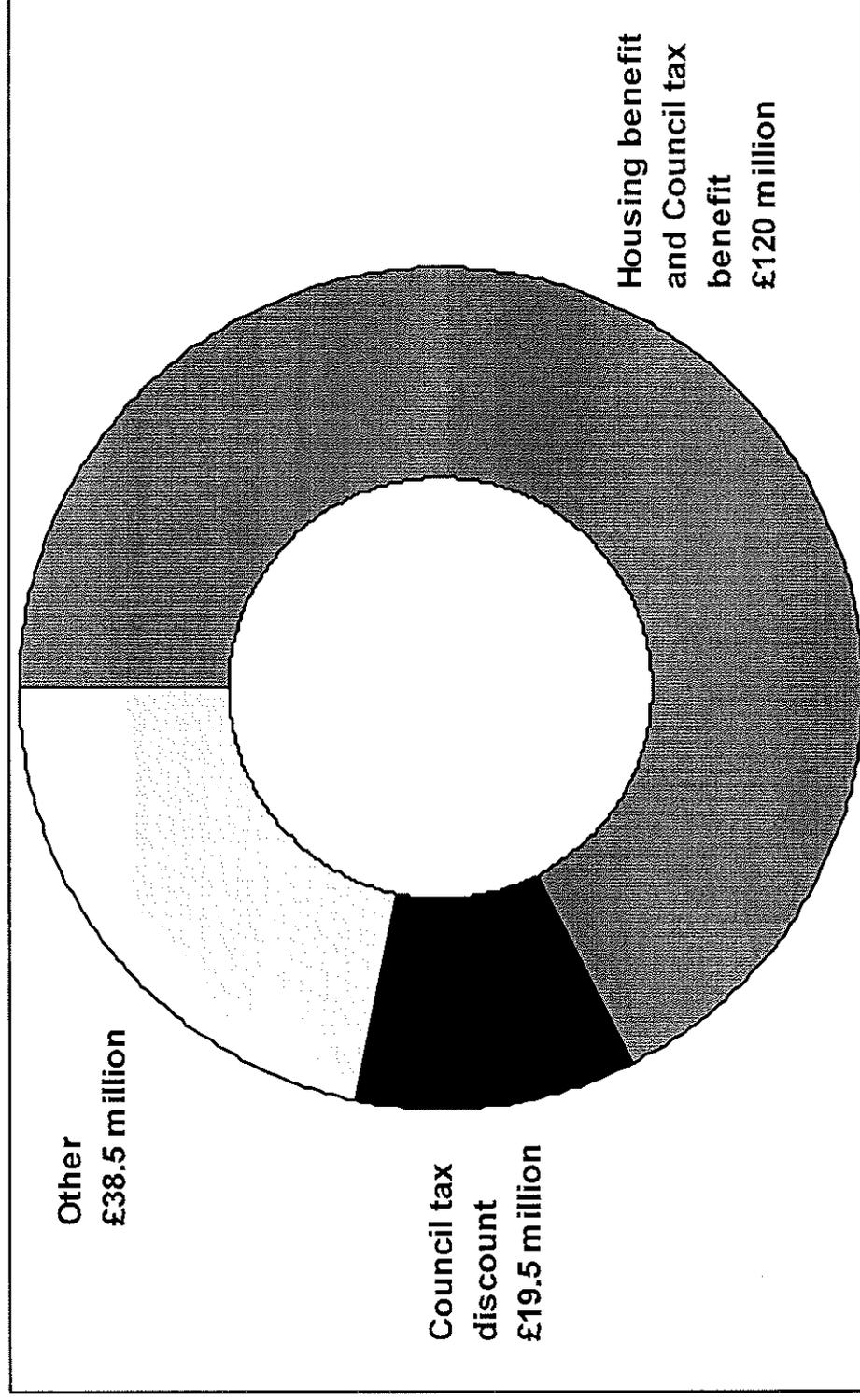


Purpose of Fraud Briefing at your council

- Opportunity for councillors to consider fraud detection performance, compared to similar local authorities
- Reviews current counter fraud strategy and priorities
- Discuss local and national fraud risks
- Reflect local priorities in a proportionate response to those risks

National Picture 2012/13

Total cases detected 107,000, with a value of £178 million (excluding social housing fraud)



Nationally, the number of detected frauds has fallen by 14% since 2011/12 and the value by less than 1%

Interpreting fraud detection results

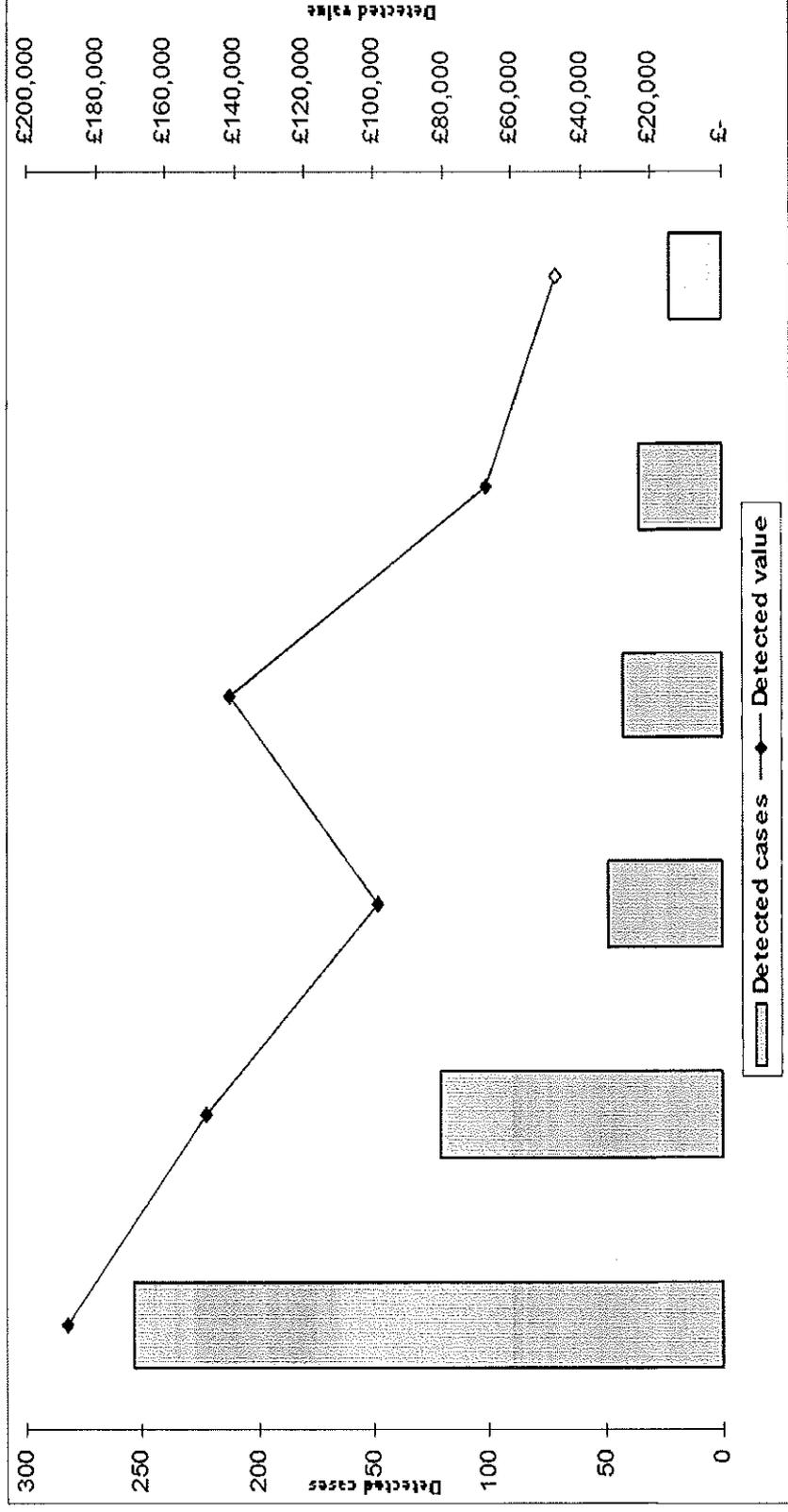
- Contextual and comparative information needed to interpret results
- Detected fraud is indicative, not definitive, of counter fraud performance (Prevention and deterrence should not be overlooked)
- No fraud detected does not mean no fraud committed (Fraud will always be attempted and even with the best prevention measures some will succeed)
- Councils who look for fraud, and look in the right way, will find fraud (There is no such thing as a small fraud, just a fraud that has been detected early)

Your council is highlighted in yellow in the graphs that follow

The local picture

How your council compares to other district councils in your county area

Total detected cases and value 2012/13

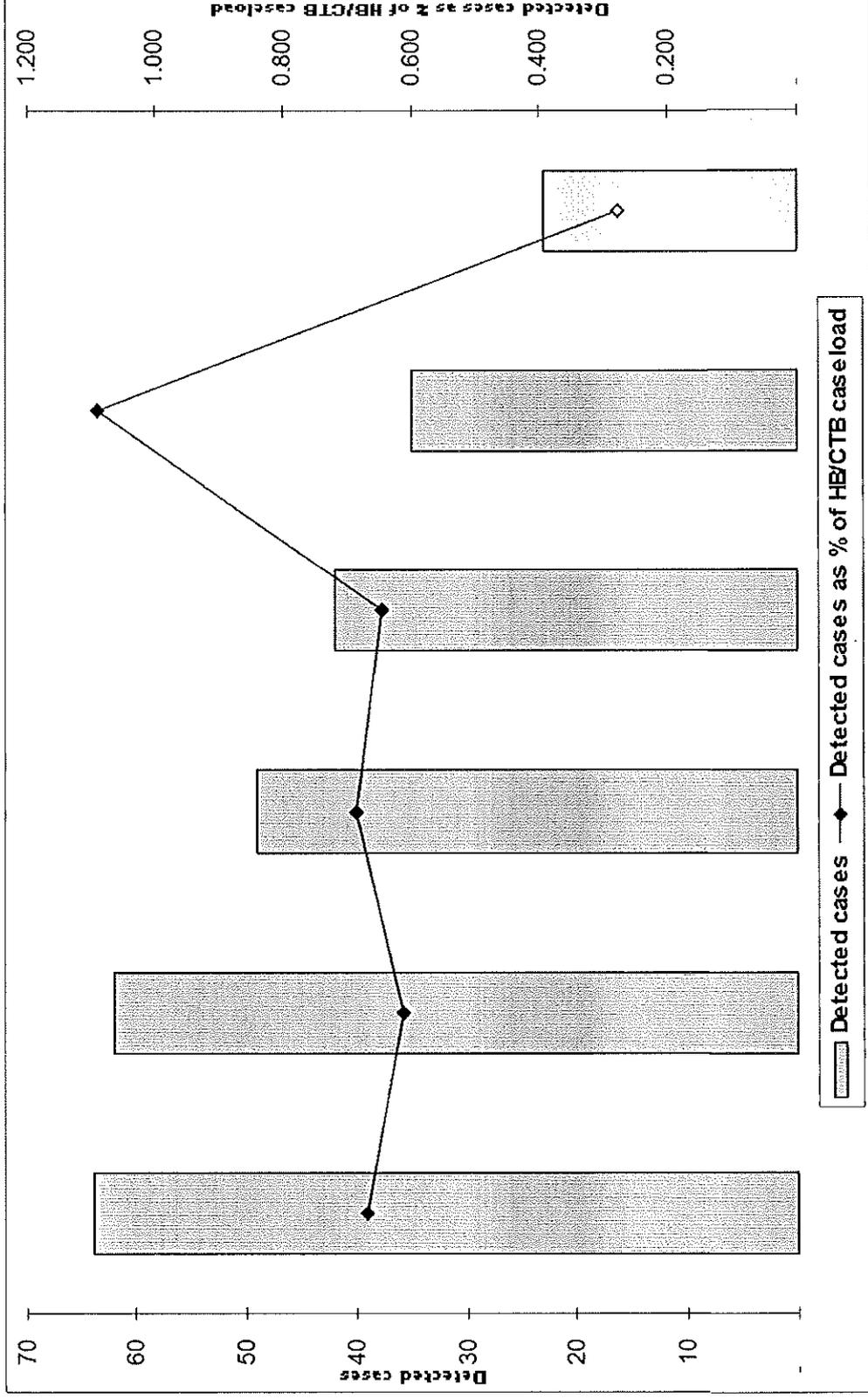


Barrow-in-Furness detected: 23 cases, valued at £47,412

DC average for your county area: 87 cases, valued at £115,383



**District councils in your county area 2012/13
Housing benefit (HB) and Council tax benefit (CTB) fraud
Detected cases and detected cases as a percentage of HB/CTB caseload**



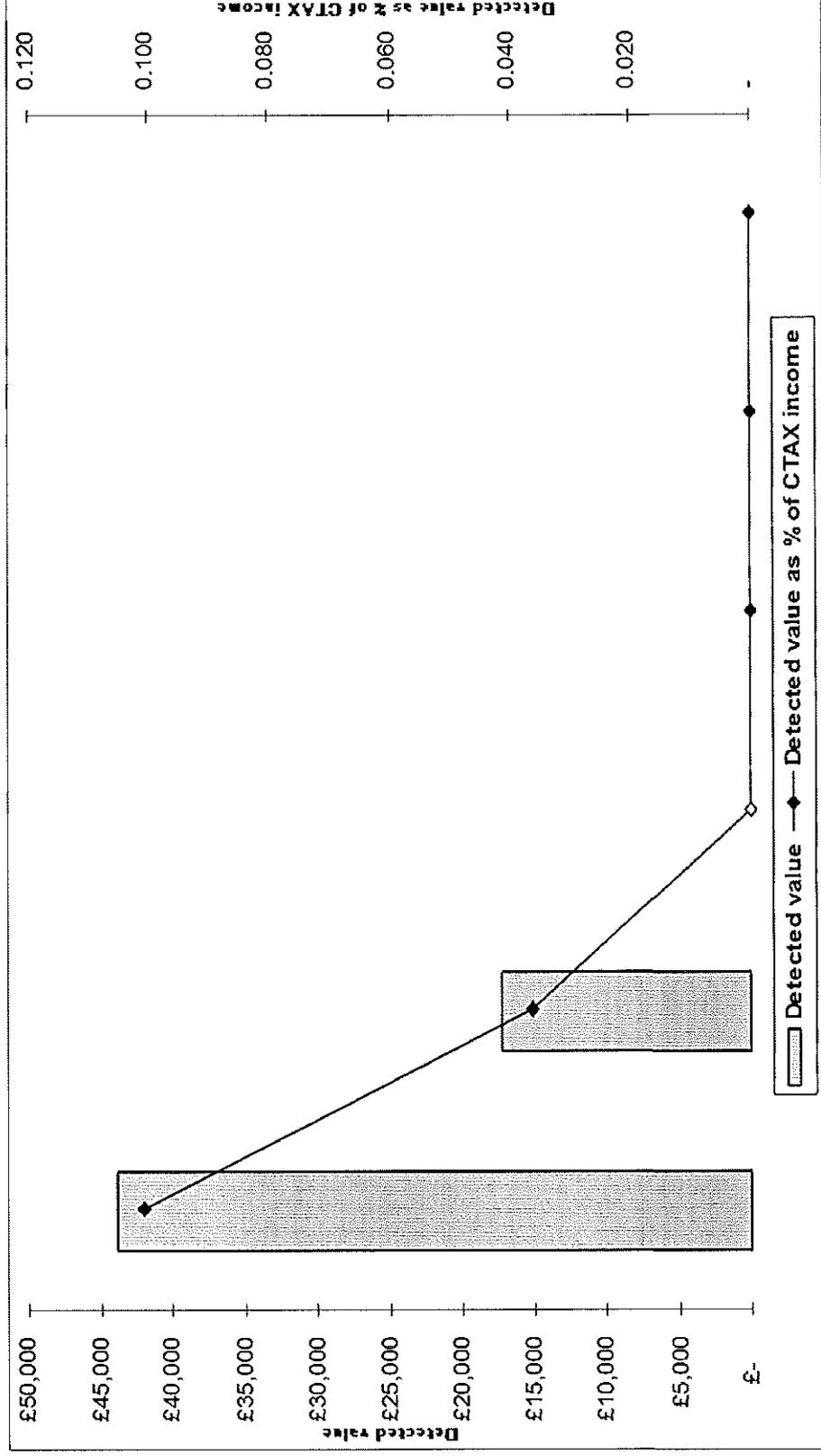
Barrow-in-Furness detected: 23 cases, valued at £47,412
DC average for your county area: 46 cases, valued at £105,237



District councils in your county area 2012/13

Council tax (CTAX) discount fraud

Detected value and detected value as a percentage of council tax income



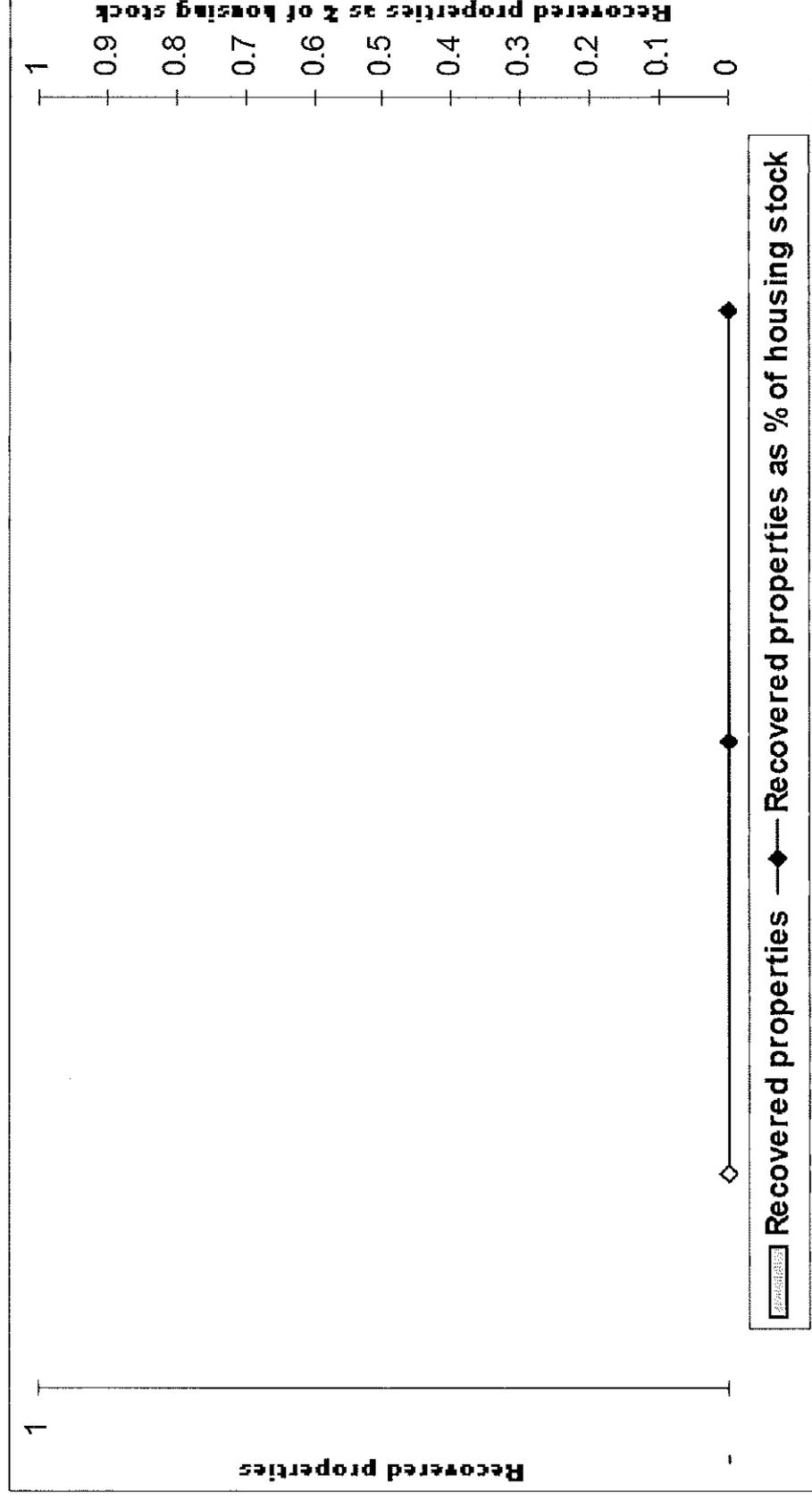
Barrow-in-Furness detected: no cases
 DC average for your county area: 42 cases, valued at £10,146



North West region - district councils with housing stock 2012/13

Social housing fraud

Properties recovered and properties recovered as a percentage of housing stock



Barrow-in-Furness recovered: no properties

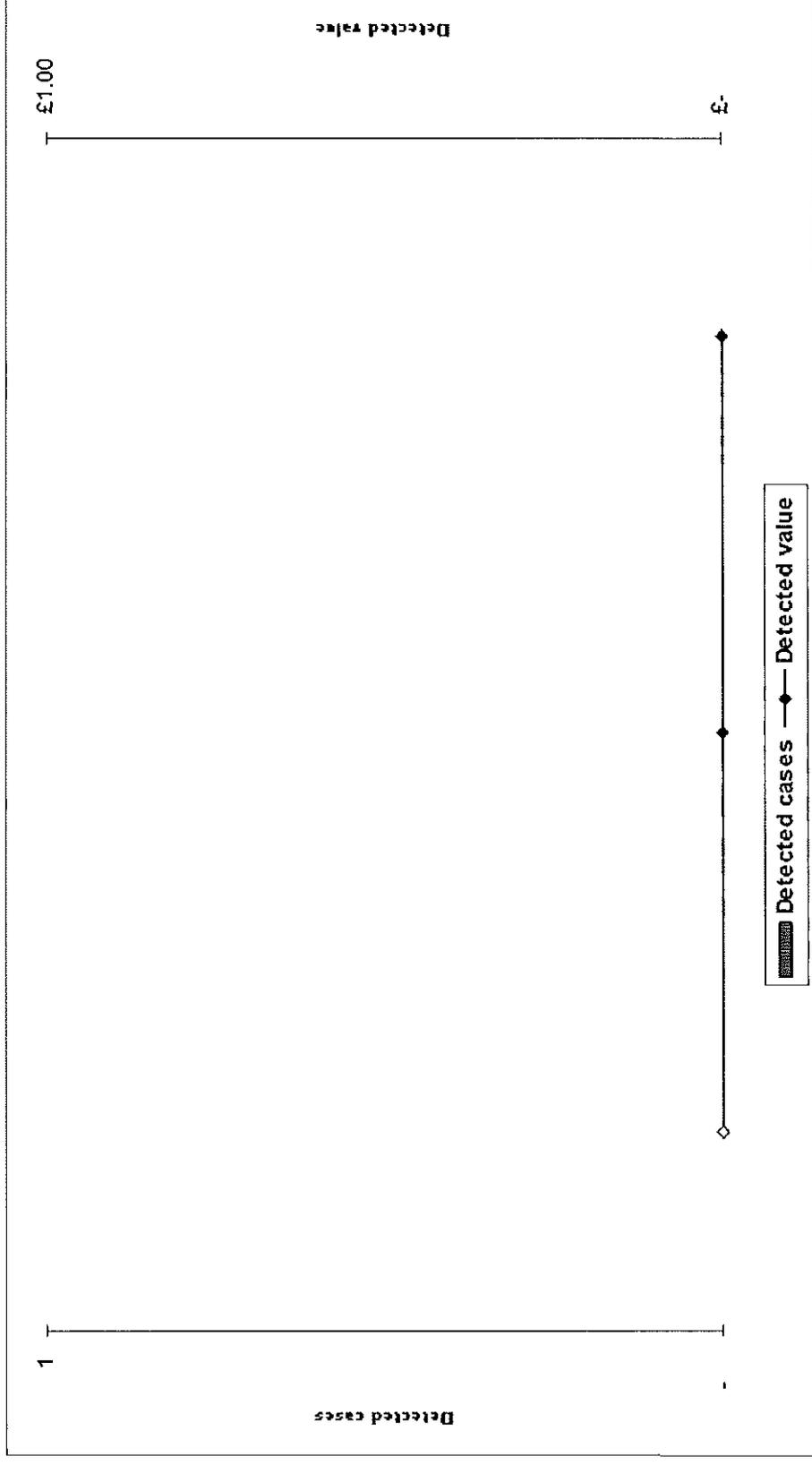
North West regional average: no properties



North West region - district councils with housing stock 2012/13

Right to buy fraud

Detected cases and detected value



Barrow-in-Furness detected: no cases
North West region total detected: no cases



Barrow-in-Furness Borough Council

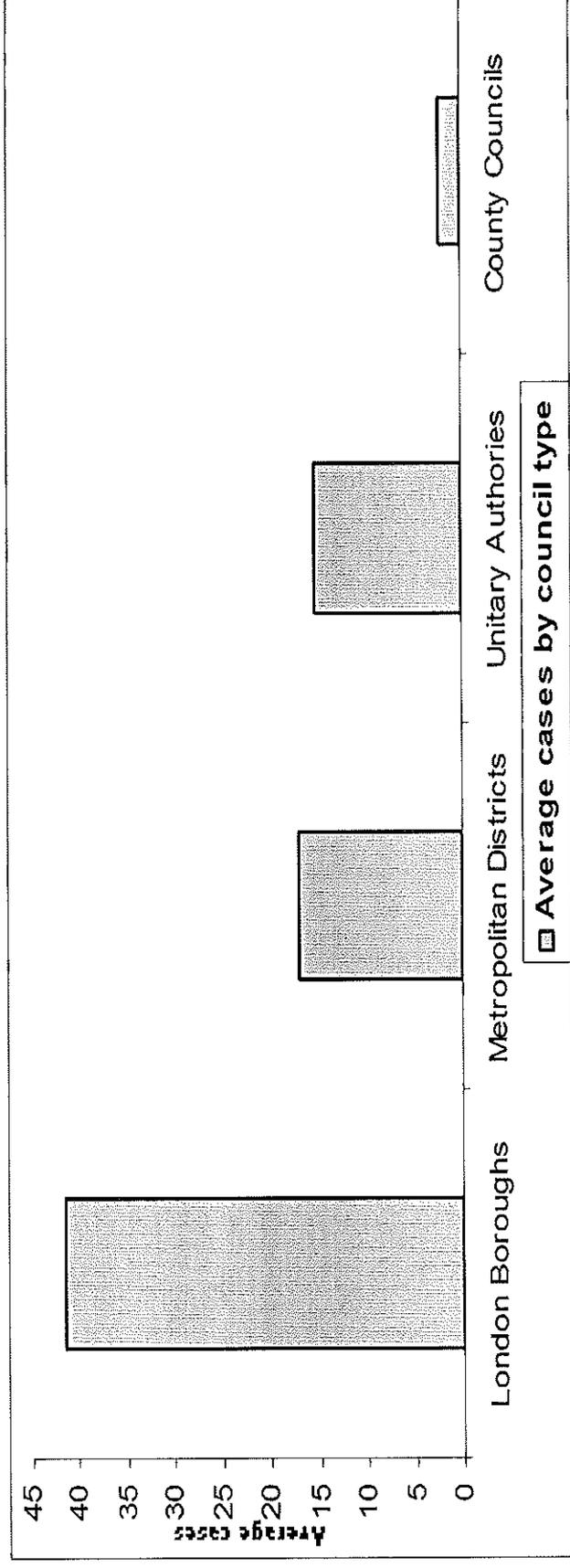
Other frauds

- **Procurement:** no cases
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 20 cases, valued at £411,783)
- **Insurance:** no cases
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 6 cases, valued at £276,008)
- **Economic & Third sector:** no cases
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 11 cases, valued at £18,400)
- **Internal fraud:** no cases
(Ave per DC in your county area: no cases
Total for all local government bodies in your region: 168 cases, valued at £1,522,016)

Correctly recording fraud levels is a central element in assessing fraud risk

It is best practice to record the financial value of each detected case

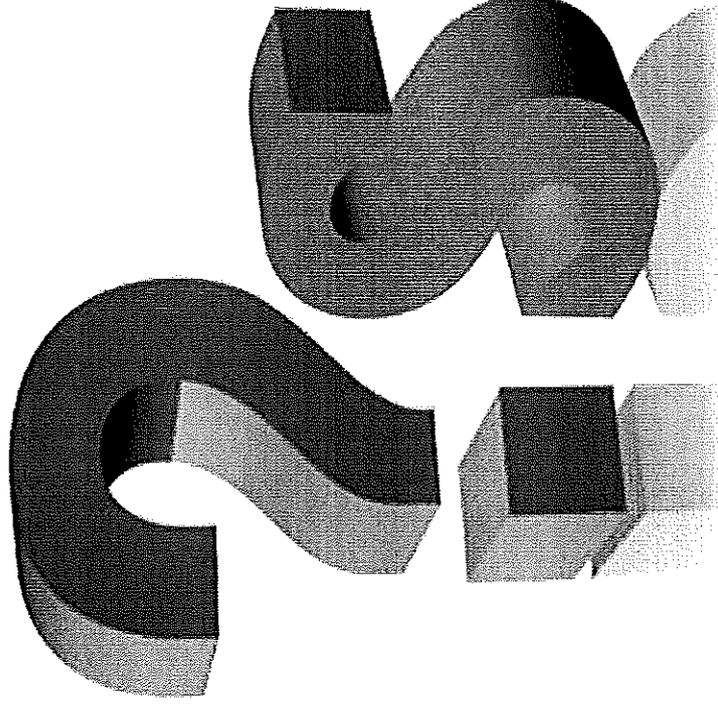
Disabled parking (Blue Badge) fraud Detected cases by issuing council type



In two-tier areas:

- county councils have administrative responsibility for issuing blue badges
- district councils face reduced car parking income as a result of the fraudulent abuse of blue badges.

Any questions?



AUDIT COMMITTEE	Part One (D) Agenda Item 9
Date of Meeting: 26th June, 2014	
Reporting Officer: Director of Resources	
<p>Title: External Audit Plan for the Year Ended 31st March, 2014</p> <p>Summary and Conclusions:</p> <p>The External Audit Plan for the year ended 31st March, 2014 has been received from the External Auditor. The plan has been agreed with the Chair and the Director of Resources and will be presented by the External Auditor.</p> <p>Recommendations:</p> <p>Members are recommended to receive and note the Audit Plan for the year ended 31st March, 2014.</p>	

Report

The External Audit Plan for the year ended 31st March, 2014 is attached at **Appendix 3**. The External Auditor will present the report to Members.

Background Papers

Nil



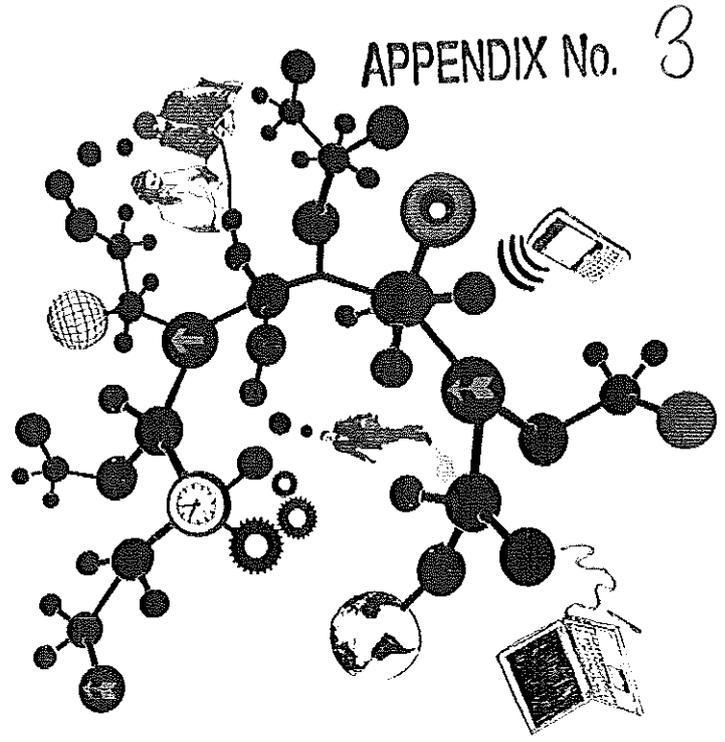
The Audit Plan for Barrow-in-Furness Borough Council

Year ended 31 March 2014
June 2014

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

Contents

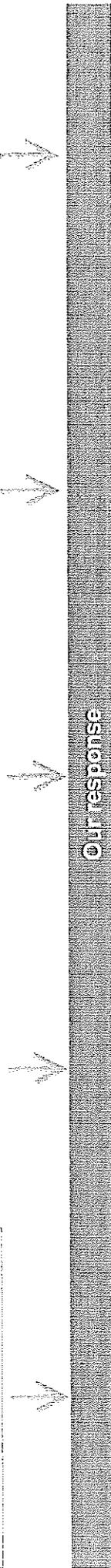
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Understanding your business

In planning our audit we need to understand the challenges and opportunities the Council is facing. We set out a summary of our understanding below.

Challenges/opportunities

<p>1. Impact of the economic downturn and reduced government grants</p> <ul style="list-style-type: none"> The Council has a good track record of delivering budget savings but in common with other authorities faces a challenge to respond to further budget reductions based on best current information and assumptions around pay, prices and future government settlements the Council projects a shortfall between net budget requirement and total revenue financing of circa £2.1m in the 3 years to 31 March 17 	<p>2. Efficiency Grant</p> <ul style="list-style-type: none"> Nationwide the Council received one of the highest reductions in its 2013/14 settlement. In recognition the Council was allocated an efficiency grant, worth up to £2.35m to the Council over 2013/14 and 2014/15, conditional on demonstrating that DCLG eligibility criteria has been met. 	<p>3. Empty Homes Grant</p> <ul style="list-style-type: none"> We noted in last year's audit plan that the Homes and Community Agency had awarded the Council £3.4m to carry out refurbishment and upgrade works on the Barrow Island flats 	<p>4. Monitoring the changes from National Non-Domestic rates (NNDR)</p> <ul style="list-style-type: none"> The Council has implemented the business rates retention scheme in 2013/14 This introduces more volatility to NNDR grant income, Income becoming more dependant on variables such as collection rates and the outcome of business rate appeals 	<p>6. Pensions</p> <ul style="list-style-type: none"> The impact of the 2014/15 changes to the Local Government Pension Scheme
---	--	---	---	--



Our response

<ul style="list-style-type: none"> We will assess your arrangements for maintaining the Council's financial resilience as part of the Value for Money assessment 	<p>We will:</p> <ul style="list-style-type: none"> continue to meet regularly with management and obtain updates to assess whether the Council is on track to meet the government's eligibility criteria; consider how the efficiency grant has been factored into the Council's Medium Term Financial plan; review and test how the efficiency grant has been accounted for in the financial statements 	<p>We will:</p> <ul style="list-style-type: none"> revisit through discussion with management to determine the progress in applying the grant on the Barrow Island flats refurbishment and upgrade; review the accounting treatment in the financial statements 	<p>We will:</p> <ul style="list-style-type: none"> continue to meet with officers to discuss the impact on finances and accounting that the business rates changes have had; review and test as necessary how NNDR related transactions have been accounted for within the financial statements' Collection Fund 	<ul style="list-style-type: none"> We will discuss how the Council is planning to deal with the impact of the 2014/15 changes through our meetings with management
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Developments relevant to your business and the audit

In planning our audit we also consider the impact of key developments in the sector and take account of national audit requirements as set out in the Code of Audit Practice ('the code') and associated guidance.

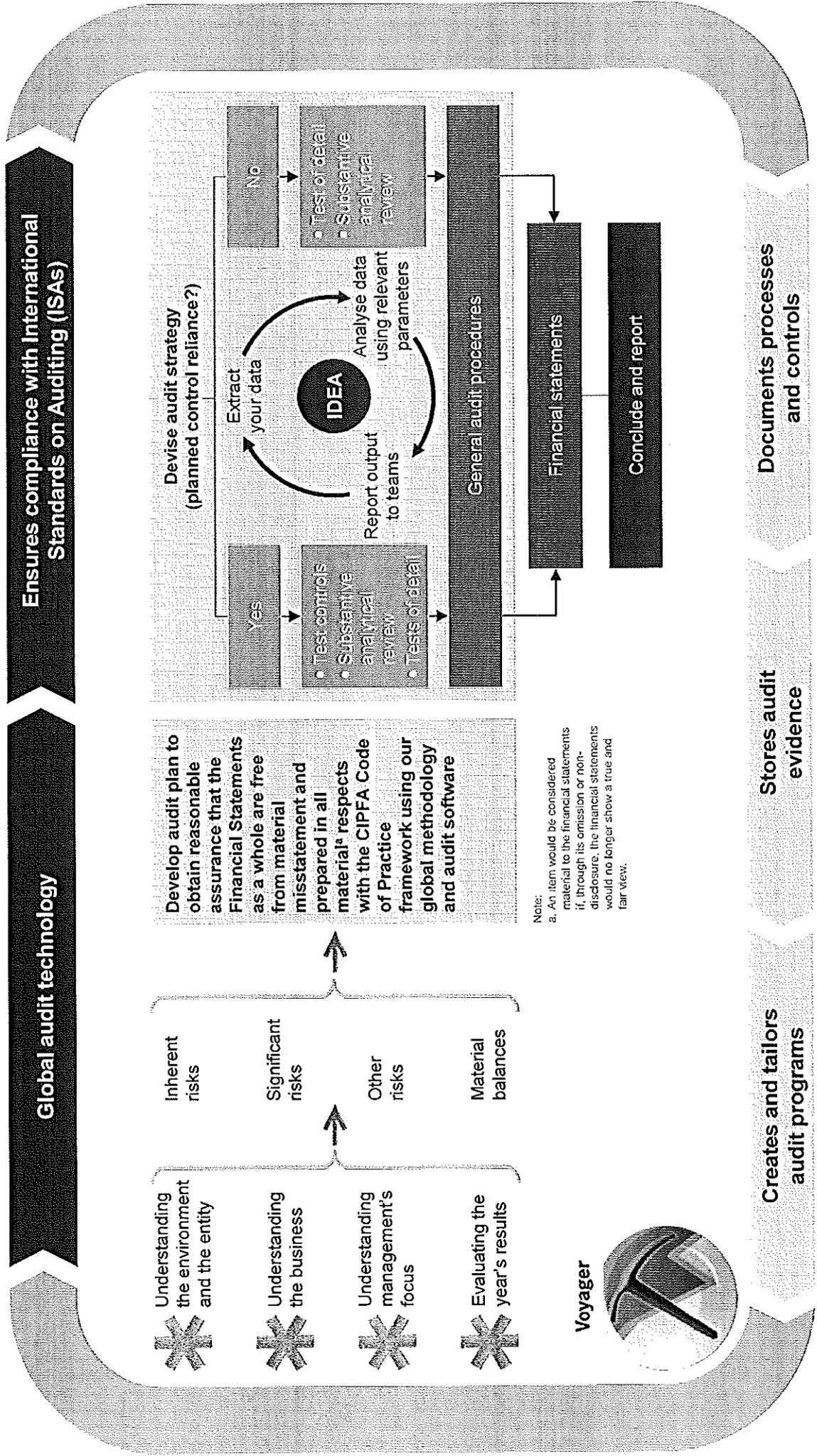
Developments and other requirements

1. Financial reporting <ul style="list-style-type: none"> Changes to the CIPFA Code of Practice Clarification of Code requirements around PPE valuations Changes to NDR accounting and provisions for business rate appeals 	2. Legislation <ul style="list-style-type: none"> Local Government Finance settlement Welfare reform Act 2012 	3. Corporate governance <ul style="list-style-type: none"> Annual Governance Statement (AGS) Explanatory foreword 	4. Pensions <ul style="list-style-type: none"> The impact of 2013/14 changes to the Local Government Pension Scheme (LGPS) 	5. Financial Pressures <ul style="list-style-type: none"> Managing service provision with less resource Progress against savings plans 	6. Other requirements <ul style="list-style-type: none"> The Council is required to submit a Whole of Government accounts pack on which we provide an audit opinion The Council completes grant claims and returns on which audit certification is required
---	--	--	--	---	--

Our response

We will ensure that <ul style="list-style-type: none"> the Council complies with the requirements of the CIPFA Code of Practice and business rate appeals through discussions with management and our substantive testing 	<ul style="list-style-type: none"> We will discuss the impact of the legislative changes with the Council through our regular meetings with senior management and those charged with governance, providing a view where appropriate 	<ul style="list-style-type: none"> We will review the arrangements the Council has in place for the production of the AGS We will review the AGS and the explanatory foreword to consider whether they are consistent with our knowledge 	<ul style="list-style-type: none"> We will review how the Council dealt with the impact of the 2013/14 changes through our meetings with senior management 	<ul style="list-style-type: none"> We will review the Council's performance against the 2013/14 budget, including consideration of performance against the savings plan We will undertake a review of Financial Resilience as part of our VFM conclusion 	<ul style="list-style-type: none"> We will carry out work on the WGA pack in accordance with requirements We will certify grant claims and returns in accordance with Audit Commission requirements
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Our audit approach



Ensures compliance with International Standards on Auditing (ISAs)

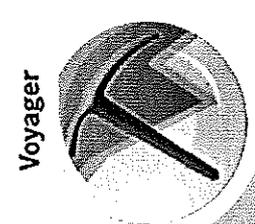
Global audit technology

Develop audit plan to obtain reasonable assurance that the Financial Statements as a whole are free from material misstatement and prepared in all material respects with the CIPFA Code of Practice of Practice framework using our global methodology and audit software

Understanding the environment and the entity
 Understanding the business
 Understanding management's focus
 Evaluating the year's results

Inherent risks
 Significant risks
 Other risks
 Material balances

Note:
 a. An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.



Creates and tailors audit programs

Stores audit evidence

Documents processes and controls

Significant risks identified

'Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty' (ISA 315).

In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing – ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	Under ISA 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue.	<p>work planned</p> <ul style="list-style-type: none"> • Review and testing of revenue recognition policies • Testing of material revenue streams for 2013/14
Management over-ride of controls	Under ISA 240 there is a presumed risk that the risk of management over-ride of controls is present in all entities.	<p>Work completed to date</p> <ul style="list-style-type: none"> • Testing of journal entries, downloaded for April 2013 to January 2014 • Review of unusual significant transactions <p>Further work planned</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries for February to March 2014, including accounts closure journals • Review of unusual significant transactions

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Creditors and accruals may be misstated or recorded in the incorrect period.	<ul style="list-style-type: none"> We have begun our review of the systems and controls that the Council have in place to pay and record expenditure We have 'walked through' a transaction to demonstrate that appropriate controls are in place and designed effectively From this work, we have not identified any control weaknesses or errors 	<ul style="list-style-type: none"> Performance of substantive testing on a sample of expenditure items Substantive testing of a sample of year end creditors and accruals Testing of both expenditure transactions and a sample of creditors and accruals to ensure 'cut-off' is correct (i.e. that they are recorded in the right period).
Employee remuneration	Employee remuneration accruals may be understated	<ul style="list-style-type: none"> We have begun our review of the systems and controls that the Council have in place over payroll We have 'walked through' a transaction to demonstrate that appropriate controls are in place and designed effectively From this work, we have not identified any control weaknesses or errors; Sample testing of payroll transactions – April 2013 to January 2014 	<ul style="list-style-type: none"> Completing of sample testing of payroll transactions Substantive testing of a significant year end payroll accruals Analytical procedures to identify any discrepancies in monthly payrolls and consider whether the payroll expenditure is in line with our expectations based on substantiating evidence Testing of the reconciliation between the payroll system and the amounts recorded in the financial statements
Welfare Expenditure	Welfare benefits may be calculated incorrectly	Work to commence during accounts opinion audit visit.	<ul style="list-style-type: none"> Completion of housing benefits testing in accordance with Audit Commission Certification Instruction BEEEN001, including re-performance of detailed housing benefits testing completed by Internal Audit Testing of the reconciliation between the benefits system and the amounts recorded in the financial statements

Other risks identified

The auditor should evaluate the design and determine the implementation of the entity's controls, including relevant control activities, over those risks for which, in the auditor's judgment, it is not possible or practicable to reduce the risks of material misstatement at the assertion level to an acceptably low level with audit evidence obtained only from substantive procedures (ISA 315).

In this section we outline the other risks of material misstatement which we have identified as a result of our planning.

Other reasonably possible risks	Description	Work completed to date	Further work planned
Property, Plant & Equipment	Property plant and equipment activity not valid	<ul style="list-style-type: none"> We have begun our review of the systems and controls that the Council have in place to pay and record expenditure We have 'walked through' a transaction to demonstrate that appropriate controls are in place and designed effectively From this work, we have not identified any control weaknesses or errors; Sample testing of assets for existence 	<p>We will:</p> <ul style="list-style-type: none"> test a sample of PPE additions and significant disposals to confirm they have been correctly accounted for analytically review depreciation expenses to confirm the amount charged is reasonable and in line with the Council's accounting policy
Property, Plant & Equipment	Revaluation measurement not correct	<ul style="list-style-type: none"> We have begun our review of the systems and controls that the Council have in place to pay and record expenditure We have 'walked through' a transaction to demonstrate that appropriate controls are in place and designed effectively From this work, we have not identified any control weaknesses or errors 	<p>We will:</p> <ul style="list-style-type: none"> agree a sample of revaluation entries to information provided by the valuer review revaluation disclosures in the accounts to confirm they are in line with CIPFA guidance

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Walkthrough testing	<p>We have substantially completed walkthrough tests of controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work to date has not identified any issues which we wish to bring to your attention. Internal controls have been implemented in accordance with our documented understanding.</p>	<p>From our work to date, controls appear to be effectively designed and in place as documented..</p> <p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Review of information technology controls	<p>Our information systems specialist performed a high level review of the general IT control environment, as part of the overall review of the internal controls system. We have also performed a follow up of the issues that were raised last year.</p> <p>IT (information technology) controls were observed to have been implemented in accordance with our documented understanding.</p>	<p>Our work has identified no material weaknesses which are likely to materially impact on the Council's financial statements.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy.</p> <p>We have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p> <p>To date we have obtained a full ledger download for the first 10 months of the financial year, and work has now been completed in this area.</p> <p>From this work we identified 5 journals where the officers posting the journal had also approved those journals. We are satisfied that these journals were correctly and validly raised and were for non material amounts.</p>	<p>We have discussed our findings with the Director of Resources who confirmed that she would take measures to help ensure full compliance with the policy going forward.</p> <p>We will complete our journals testing as part of our final accounts audit visit.</p>

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

	Work performed and findings	Conclusion
Early substantive testing	We are in the process of undertaking early substantive testing on employee remuneration costs and property, plant and equipment balances	We have not identified any issues to date. Completing this audit work in advance of the year end will reduce the workload for Council staff and the audit team after the year end.
Value for money	We have carried out our initial risk assessment against assessment criteria prescribed in Audit Commission guidance.	<p>This work is on-going, and will be reported as part of our overall findings in our ISA 260 Audit Findings Report.</p> <p>Our preliminary review has identified the following areas of focus:</p> <ul style="list-style-type: none"> We will review the assumptions underlying the Medium Term financial Plan (MFTP) to ensure the Council are taking appropriate steps to reduce its projected funding gap; We will revisit the areas of high level housing benefits administration costs identified previously by the Audit Commission VFM profile tool;

Value for money

Value for money

The Audit Commission Code of Audit Practice requires us to issue a conclusion on whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

Our VfM conclusion is based on the following criteria specified by the Audit Commission:

VfM criteria	Focus of the criteria
The organisation has proper arrangements in place for securing financial resilience	The organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness	The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings report and in the Annual Audit Letter.

The Council has proper arrangements in place for:

- securing financial resilience
- challenging how it secures economy, efficiency and effectiveness in its use of resources



We will undertake a risk assessment to identify areas of risk to our VfM conclusion

The process that we undertake in order to give the VfM Conclusion is to:

- update our knowledge using existing available information and knowledge;
- carry out a document review of key documentation from the Council's schedule of meetings;
- discuss with key officers and request further information;
- engage with those charged with governance during the year;
- produce a summarised follow up on financial resilience.

Grants certification

Introduction

Various grant-paying bodies require external certification of claims for grant or subsidy and returns of financial information.

The Audit Commission makes certification arrangements with grant-paying bodies, including confirming which claims and returns require certification and issuing certification instructions. These instructions are tailored to each scheme and set out the specific procedures to be applied in examining the claim or return. The Audit Commission agrees the deadline for submission of each claim by authorities and the deadline for certification by auditors.

As the Council's appointed external auditor, we undertake grant certification work acting as an agent of the Audit Commission.

Certification arrangements

The Audit Commission's certification arrangements are designed to be proportionate to the claim or return. The arrangements for 2013-14 are:

- for claims and returns below £125,000, certification by us is not required, regardless of any statutory certification requirement or any certification requirement set out in grant terms and conditions
- for claims and returns above £125,000 and below £500,000, we are required to perform limited tests to agree entries on the claim or return to underlying records, but are not required to undertake any testing of the eligibility of expenditure or data
- for claims and returns over £500,000, we are required to assess the control environment for the preparation of the claim or return and decide whether or not to place reliance on it. Where reliance is placed on the control environment, we are required to undertake limited tests to agree entries on the claim or return to underlying records but not to undertake any testing of the eligibility of expenditure or data. Where reliance is not placed on the control environment, we are required to undertake all the tests in the relevant certification instruction and use our assessment of the control environment to inform decisions on the level of testing required.

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In determining whether we place reliance on the control environment, we consider other work we have undertaken on the Council's financial ledger and any other relevant systems, findings from previous certification reviews and make appropriate use of relevant internal audit work where possible.

2013-14 expected certification work

Due to changes in government funding and the Audit Commission's certification regime, there are a number of schemes that either finished in 2012-13, or where funding is no longer ring-fenced, or where certification arrangements are no longer made available by the Audit Commission.

For the Council this means that there will be no certification under the Audit Commission regime of the following schemes this year:

- Council Tax Benefit (previously part of the housing and council tax benefit claim)
- National Non-Domestic Rates Return

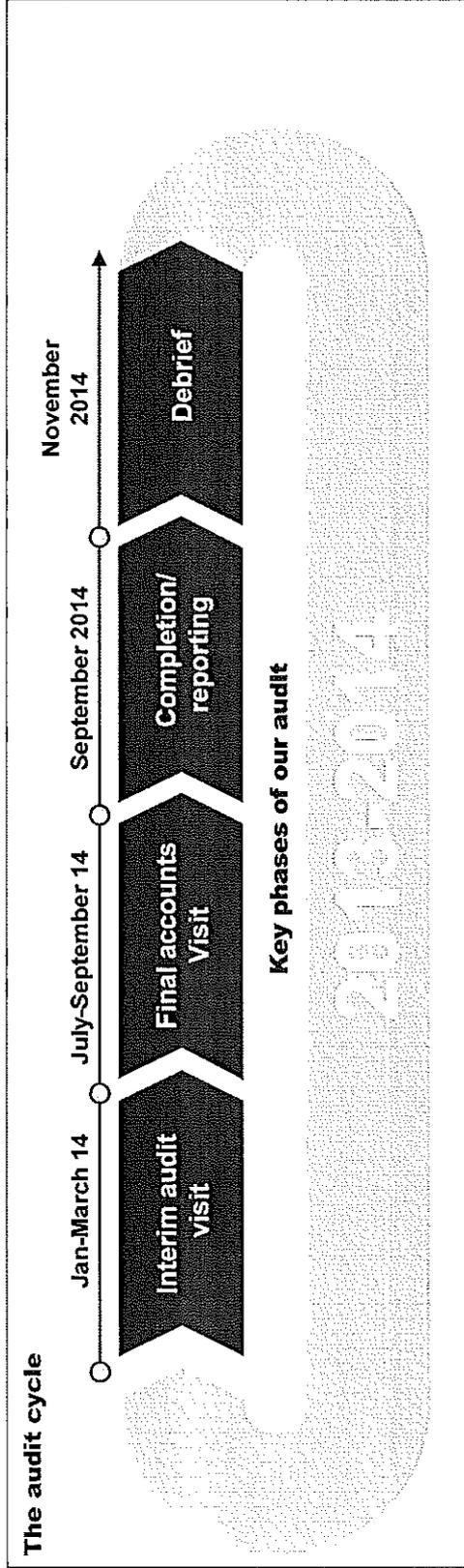
This will leave only the Housing Benefit Subsidy claim and the housing capital receipts return for review under the Audit Commission certification regime.

Whilst the number of claims required to be certified under the Audit Commission regime has reduced, there could be requests from grant paying bodies for an independent audit of the Council's use of grant funding.

Reporting of our grant certification work

We expect to complete the certification of all claims by November 2014 and will issue a grant certification report, highlighting any issues that need to be brought to the Council's attention, in December 2014.

Key dates



Date	Activity
December 13 – January 14	Planning
January – March 2014	Interim site visit
26 June 2014	Presentation of audit plan to Audit Committee – as previously reported we agreed that we would present, discuss and agree the draft plan to the Director of Resources and Audit Committee Chair prior to its formal submission to the June meeting of the Audit Committee
July – mid September 2014	Year end fieldwork
September 2014	Audit findings clearance meeting with the Director of Resources
By 30 September 2014	Report audit findings to those charged with the Audit Committee
By 30 September 2014	Sign financial statements opinion
By 30 September 2014	Certify the whole of government accounts consolidation pack

Fees and independence

Fees

	£
Council audit	67,259
Grant certification	22,300
Total fees (excluding VAT)	89,559

Fees for other services

Service	Fees £
None	Nil

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

Full details of all fees charged for audit and non-audit services will be included in our Audit Findings report at the conclusion of the audit.

We confirm that we have implemented policies and procedures to meet the requirement of the Auditing Practices Board's Ethical Standards.

Communication of audit matters with those charged with governance

International Standards on Auditing (ISA) 260, as well as other ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

This plan 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).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit plan	Audit findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issue arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should take steps to ensure segregation of duties around journal controls - specifically journal posting and authorisation – in compliance with Council policy on this matter.	medium	Journal posting is restricted to the Accountancy Services Manager, the Financial Services Manager and the Director of Resources. It is not possible to restrict the functionality of the ledger system beyond awarding the facility to post or not to post. The Director of Resources has discussed these accidental occurrences with her officers to ensure that the segregation of journal approval and journal posting is not compromised.	Done – February 2014



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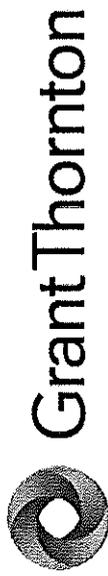
AUDIT COMMITTEE	Part One (D) Agenda Item 10
Date of Meeting: 26th June, 2014	
Reporting Officer: Director of Resources	
<p>Title: External Audit - Committee Update</p> <p>Summary and Conclusions:</p> <p>An Audit Committee Update has been produced by the External Auditors. The External Auditors will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive the External Auditor's report and raise any questions.</p>	

Report

The External Auditors have produced an Audit Committee Update for Members. The report is attached at **Appendix 4** and will be presented to Members by the External Auditor.

Background Papers

Nil



Audit Committee Update for Barrow in Furness Borough Council

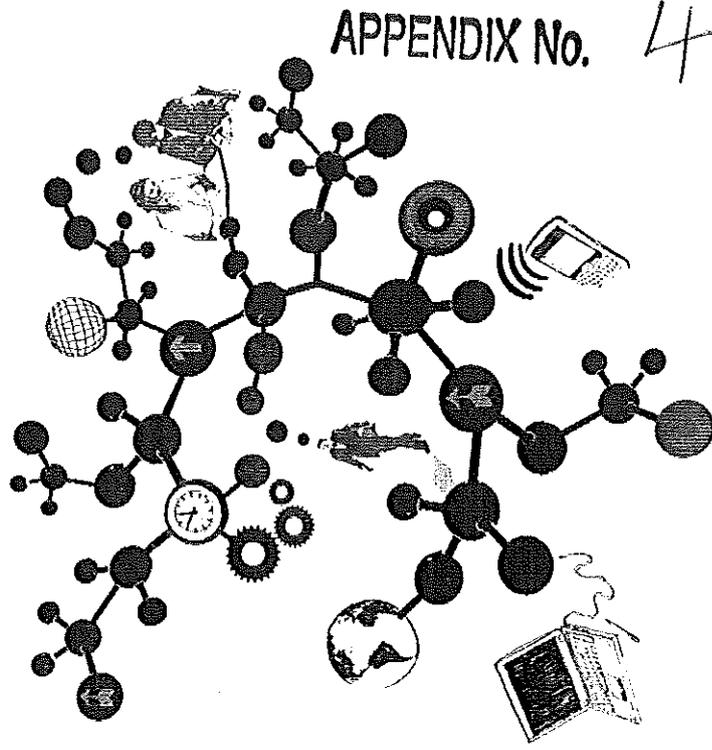
Year ended 31 March 2014

26 June 2014

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APPENDIX No.

4

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; and
- 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 (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Working in tandem, local government governance review 2014, our third annual review, assessing local authority governance, highlighting areas for improvement and posing questions to help assess the strength of current arrangements
- 2016 tipping point? Challenging the current, summary findings from our third year of financial health checks of English local authorities
- Local Government Pension Schemes Governance Review, a review of current practice, best case examples and useful questions to assess governance strengths

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

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Progress at June 2014

Work	Planned date	Complete?	Comments
<p>2013-14 Accounts Audit Plan</p> <p>We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2013-14 financial statements.</p>	June 2014	Yes	The draft Audit Plan was discussed and agreed with the Director of Resources and the Chair of the Audit Committee prior to issue.
<p>Interim accounts audit</p> <p>Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	January to March 2014	Yes	The outcome from our interim coverage is captured in the 2013/14 Audit Plan
<p>2013-14 final accounts audit</p> <p>Including:</p> <ul style="list-style-type: none"> • audit of the 2013-14 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July to September 2014	Due to commence in July	We will discuss and agree the logistics and timing of the 2013/14 opinion audit work programme with the Director of Resources.

Progress at June 2014

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2013/14 VfM conclusion comprises assessments of the Council's management arrangements against assessment criteria prescribed in Audit Commission guidance.</p> <p>In order to identify whether any local work is required, we have undertaken a risk assessment against the following key themes:</p> <ul style="list-style-type: none"> • Key indicators of financial performance • Strategic financial planning • Financial governance • Financial control • Improving efficiency & productivity 	<p>January - September</p>	<p>In progress</p>	<p>Having completed our initial risk assessment against the prescribed assessment criteria we have, as summarised in the Audit Plan, identified the following areas of focus:</p> <ul style="list-style-type: none"> • review the assumptions underlying the Medium Term financial Plan (MTEP) to ensure the Council are taking appropriate steps to reduce its projected funding gap; • revisit the areas of high level housing benefits administration costs identified previously by the Audit Commission VfM profile tool

Understanding your accounts – member guidance

Accounting and audit issues

Guide to local authority accounts

Local authority audit committee members are not expected to be financial experts, but they are responsible for approving and issuing the authority's financial statements. However, local authority financial statements are complex and can be difficult to understand. We have prepared a guide for members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at 31st March; and
- other statements and additional disclosures

Supporting this guide we have produced two further documents to support members in discharging their responsibilities

- helping local authorities prepare clear and concise financial statements
- approving the minimum revenue provision

Copies of these are available from your engagement lead and audit manager

Issues to consider

Have members referred to this guidance?

Accounts – our top issues

Accounting and audit issues

Top issues for the 2013/14 closedown

Based on the queries we have received from practitioners and auditors, here is a list of the top issues to consider for the 2013/14 closedown.

1. Do your accounts tell the overall story of your authority's financial performance and financial position? Are they clear, concise and easy to follow? Is detailed information on the most important information easy to find? Have duplicated text, non-material notes and zero entries been removed?
2. Are your accounts internally consistent? In particular, does the movement in reserves statement agree to the detailed notes?
3. Is your programme of revaluations is sufficiently up to date to ensure that the carrying value of property, plant and equipment does not differ materially from the fair value at 31 March 2014?
4. Have you accounted for provisions in accordance with IAS 37?
 - Have you considered provisions for business rates and equal pay?
 - Are your provisions the best estimate of the liability (rather than a prudent estimate or an amount that is convenient for budget purposes)?
 - Is there a robust evidence based methodology to support the estimate?
 - Are there any instances in which a provision has not been made because a reliable estimate cannot be made? If so, Is their robust evidence to support the judgement that a reliable estimate is not possible? Has a contingent liability been disclosed?
6. Have you addressed the new accounting requirements in 2013/14 for the presentation of IAS 19 pension costs and a new service line for Public Health been addressed? Have comparatives been restated?

Accounts – our top issues

Accounting and audit issues

6. In the pension accounts, have the following disclosures required by the Code been included that are in addition to those set out in the CIPFA example pension fund accounts:
- the relationship between net assets available for benefits and the present value of promised retirement benefits
 - an accounting policy for measurement of assets held at amortised cost.
7. Have you agreed a detailed closedown plan with your auditors? Does this include:
- how to deal with known major issues?
 - a protocol for dealing with new issues as they arise?
 - a date for a post-implementation review?

Issue for consideration

Has your Director of Resources addressed the closedown issues and assessed the potential impact for your financial statements?

Accounts – CIPFA bulletin

Accounting and audit issues

LAAP Bulletin 98: Closure of the 2013/14 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued [LAAP Bulletin 98](#). The bulletin provides further guidance and clarification to complement CIPFA's 2013/14 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- public health reform
- non-domestic rates – provision for appeals against the rateable value of business properties
- component accounting
- accounting for pension interest costs in relation to current service cost and pension administration costs

With regard to future accounting periods, the Bulletin also provides an update on issues affecting 2014/15 and on the measurement of transport infrastructure assets in 2016/17.

Challenge question

Has your Director of Resources reviewed the guidance and assessed the potential impact for your financial statements?

Not to be rubbished, £464 million potential savings

Local government guidance

Audit Commission VFM Profiles

Using data from the VFM Profile, <http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/> the Audit Commission issued a briefing on 27 March 2014, concluding that up to £464 million could be saved overall, if councils spending the most brought down their spending to the average for their authority type and waste responsibilities.

The Audit Commission Chairman, Jeremy Newman said: "It's good news that local authorities have reduced their spending on household waste by £46 million over the past four years and have reduced levels of waste sent to landfill. Councils have achieved these important improvements by working with local people and exercising choice about what works best in their own circumstances."

In the context of considering the hierarchy of waste management options - preventing the creation of waste, preparing waste for re-use, recycling, recovery and disposal to landfill - the Audit Commission Chairman also said

"in 2012/13 local authorities spent a fifth of their total expenditure on the most desirable option for household waste management: minimisation and recycling. They spent the other four-fifths on the collection and disposal of waste – the least desirable options. Councils have the power to influence and encourage residents to do the right thing and they control the levels of spending on the range of waste management options available to them. Their choices ultimately affect how well the environment is protected and the quality of waste services residents receive"

Issues for consideration

Has the Council used the Audit Commission briefing paper to consider how their:

- overall spending on household waste management has changed over time?
- spending is divided between waste minimisation, recycling or disposal of waste, and how this has changed over time?
- spending on different components of waste management compares with authorities that have similar or better performance?

Consultation – Local Government Pension Scheme future structure

Local government guidance

Local Government Pension Scheme (LGPS) reform

The DCLG (1 May 2014) published a summary of its 2013 call for evidence on the future structure of the local government pension scheme, along with its own conclusions and has launched a formal consultation on these. Consultation responses are required by 11 July 2014. <https://www.gov.uk/government/consultations/local-government-pension-scheme-opportunities-for-collaboration-cost-savings-and-efficiencies>

Having considered a cost/benefit analysis of mergers from actuarial firm Hymans Robertson, the DCLG said it would not force funds to merge, but is instead consulting on the following proposals:

- Establishing common investment vehicles to provide funds with a mechanism to access economies of scale, helping them to invest more efficiently in listed and alternative assets and to reduce investment costs.
- Significantly reducing investment fees and other costs of investment by using passive management for listed assets, since the aggregate fund performance has been shown to replicate the market.
- Keeping asset allocation with the local fund authorities, and making available more transparent and comparable data to help identify the true cost of investment and drive further efficiencies in the Scheme.
- A proposal not to pursue fund mergers at this time.

The potential proposed changes, whilst not as radical as the previously considered merger proposals, remain nonetheless significant for the management of pension funds. DCLG believe the implementation of the proposed changes would significantly reduce investment costs across the LGPS nationally.

Issue for consideration

Has your Director of Resources briefed members on the potential implications of the government's proposed LGPS reform for the future management of the locally administered LGPS?

Note: *although the main relevance is for administering authorities of pension funds prospective changes to the future structure of the LGPS are of interest to all its stakeholders.*

Blue Badge fraud prosecutions double in three years

Local government guidance

Fraud prevention

The Local Government Association has reported that Blue Badge fraud prosecutions have doubled in three years as councils crackdown on dishonest motorists robbing disabled people of their independence and their right to easier parking. - See more at: http://www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/6186329/NEWS#sthash.Pllm4374.dpuf

Stoke-on-Trent City Council, Plymouth Council and Hull City Council recently secured their first prosecutions against fraudsters while Manchester City Council has a 100 per cent conviction rate with more than 500 prosecutions in the past five years. Councils are also using new powers to seize and confiscate badges suspected of being used illegally and some have set up specific enforcement teams to tackle Blue Badge fraud.

Cllr Peter Box, Chair of the LGA's Economy and Transport Board, said:

"Councils are determined to do everything in their power to protect the quality of life for our disabled and vulnerable residents and will not hesitate to take legal action against anyone caught abusing the scheme. With more of these fraudsters being brought to justice than ever before by councils, this is sending a strong message that we will come down hard on drivers illegally using Blue Badges."

Issue for consideration

Is the authority actively pursuing measures to prevent Blue Badge abuse, including prosecuting fraudsters?

Assessing the costs and benefits of local partnerships

Local government guidance

The government published its cost benefit analysis guidance for local partnerships on 2 April 2014.

Developed as part of the Greater Manchester 'whole place' Community Budget pilot, it was the first Treasury-approved assessment of the costs and benefits of joining-up and reforming public services in local areas.

The framework was developed by New Economy, the economic strategy unit of the Greater Manchester Combined Authority. John Holden, acting director of economic strategy at the agency, led the team that devised the methodology. He said

"this model provides a framework to start thinking about more holistic projects that deliver long-term outcomes but also produce short-term cashability [savings]"

The guidance sets out a standard process to determine the benefit of reforms, based on the unit cost of services, their impact and the savings that result. In providing Treasury backing for the cost benefit analysis framework – it has been included in Whitehall's Green Book for policy appraisal and evaluation – it has been added to the government's assessment process for the latest £320m round of the Transformation Challenge Award, which provides funding to councils to implement reforms.

Issue for consideration

Has the authority considered the applicability of the government's cost benefit analysis guidance in considering the cost-benefits of local service delivery options?

Working in tandem – Local Government Governance Review 2014

Grant Thornton

Local Government Governance Review

This report: <http://www.grant-thornton.co.uk/en/Publications/2014/Local-Government-Governance-Review-2014/> is our third annual review into local authority governance. It aims to assist managers and elected members of councils and fire and rescue authorities to assess the strength of their governance arrangements and to prepare for the challenges ahead.

Drawing on a detailed review of the 2012/13 annual governance statements and explanatory forewords of 150 English councils and fire and rescue authorities, as well as responses from 80 senior council officers and members, the report focuses on three particular aspects of governance:

- risk leadership: setting a tone from the top which encourages innovation as well as managing potential pitfalls
- partnerships and alternative delivery models: implementing governance arrangements for new service delivery models that achieve accountability without stifling innovation
- public communication: engaging with stakeholders to inform and assure them about service performance, financial affairs and governance arrangements.

Alongside the research findings, the report also highlights examples of good practice and poses a number of questions for management and members, to help them assess the strength of their current governance arrangements.

Issues for consideration

- Our report includes a number of case studies summarising good practice in risk leadership, partnerships and alternative delivery models and public communication. Has the Authority reviewed these case studies and assessed whether it is meeting good practice in these areas?
- Our report includes key questions for members to ask officers on risk management and alternative delivery models. Are these issues being considered and responded to by officers?

Events

Grant Thornton

Events

We are involved in organising and supporting various events for our local government clients including the following.

- Following on from our recent national report on welfare reform Reaping the Benefits we are continuing to gather information and examples of good practice from local government and housing around the country. We are presenting our key findings updated information on good practice to CIPFA Benefits and Revenues Network and regional CIPFA events
- For the third year running we are sponsoring the conference drinks reception at CIPFA's Annual Conference, taking place in London on 2 July
- Paul Grady, Grant Thornton's Head of Police, will be speaking at the third Annual National Conference on Police and Crime Commissioners on 10 July, in Nottingham
- We are hosting an Alternative Delivery Models seminar at our Birmingham office in 16 July where practitioners will share experiences of setting up and operating various alternative delivery models.



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AUDIT COMMITTEE	<u>Part One</u> (D) Agenda Item 11
Date of Meeting: 26th June, 2014	
Reporting Officer: Director of Resources	
<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 ten 2013-2014 final reports for consideration by Members:

- Council Tax – **Appendix 5**
- Receivables – **Appendix 6**
- Payables – **Appendix 7**
- Housing Rents – **Appendix 8**
- Receipt Book Checks – **Appendix 9**
- IT Infrastructure Management – **Appendix 10**
- Housing Benefits – **Appendix 11**
- Performance Management – **Appendix 12**
- Heating and Ventilation contract – **Appendix 13**
- CHP Housing Contracts – **Appendix 14**

There is also one 2014-2015 final report for consideration by Members:

- Car Park Meter Income (2014/15 audit) – **Appendix 15**

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

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

The assurance levels are:

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

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

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

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

The recommendation levels assigned to issues identified are:

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

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

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

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

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 13-03
COUNCIL TAX

Executive Summary

Introduction

The Authority's Council Tax service is administered by Liberata, using the Northgate iWorld system, as part of a long term contract awarded in 1998. The gross Council Tax liability for 2013/14 is approximately £40m, which relates to 33,260 properties.

Legislation introduced in 2012 implemented the Government's proposals for Localising Support for Council Tax. Billing authorities had to make a Local Council Tax Reduction Scheme to replace the Council Tax Benefit System which ended on 31st March 2013. The Council adopted the Government's prescribed default scheme as its local scheme with effect from 1st April 2013. The new local reduction scheme is broadly similar to the previous Council Tax benefits scheme in terms of who receives benefit, when and how. For each subsequent financial year the Council is required to formally adopt a Local Council Tax Reduction Scheme.

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 Council Tax system. The scope and objectives of the audit were discussed and agreed in advance with the Senior Revenues Technician and the Liberata Service Team Leader.

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

Key Points
Substantial Assurance
One important issue
Two minor issues
One Previous Recommendation

Audit Conclusion – *Substantial Assurance*

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

- ensuring that all Council Tax Reduction claims are submitted on a valid claim form.

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

- performing retrospective test checks where necessary, to ensure that the relevant checks have been achieved for 2013/14; and
- ensuring that all claims forms are date stamped to evidence the date of receipt.

In addition, Internal Audit reviewed the two recommendations made in the previous audit report 12-03, dated February 2013. One recommendation has been implemented and one recommendation has been partially implemented. The outstanding points are as follows:

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

(Priority 2)

Management Response

We have received a constructive management response from the Liberata Service Team Manager, the Client Manager and the Senior Revenues Technician, 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 13-11
ACCOUNTS RECEIVABLE

Executive Summary

Introduction

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

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

At 31 October 2013, the Council had raised 2,190 invoices with a value of approximately £2.7 million; the balance on the Receivables Ledger was £816,462. The writing off of irrecoverable debts is approved at the end of each financial year; in 2012/13, these amounted to £44,080.

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 accounts receivable system. The scope and objectives of the audit were discussed and agreed in advance with the Chief Accountant (Systems).

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

Key Points
Substantial Assurance
One important issue
Five minor issues
Three previous recommendations

Audit Conclusion – *Substantial Assurance*

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

- ensuring that there is adequate segregation of duties within the Accounts Receivable process.

We have also made five Priority 3 recommendations, which relate to ensuring that:

- for each "invoice batch run" adequate evidence authorising the raising of invoices is retained; the debtor database and print batch totals are reconciled

and confirmation of invoices raised and the Oracle batch control sheet is consistently maintained.

- a reason is consistently documented for all disputed invoices;
- Receivables write offs are reported to Executive Committee;
- all electronic Accounts Receivable Transaction Request forms are authorised and dated by an appropriate signatory; and
- credits/cancellations of invoices are only performed when requested by an authorised officer.

Internal Audit reviewed the five agreed recommendations made in the previous audit report 12-12, dated February 2013. One recommendation has been implemented and two recommendations have been overtaken by events; however two recommendations remain outstanding and relate to:

- regularly monitoring arrangements to pay sundry debtor invoices by instalments to ensure that they are being consistently maintained. (Priority 3); and
- ensuring that up to date documented procedures for the Accounts Receivable function are produced and reviewed regularly. (Priority 3).

Internal Audit also reviewed the outstanding recommendation made in the previous audit report 10-15, dated April 2011. The recommendation has been overtaken by events.

Finally, Internal Audit reviewed the two outstanding recommendations made in audit report 09-14, dated May 2010. One recommendation has been implemented and one recommendation remains outstanding and concerns:

- ensuring recovery action is performed in accordance with the Council's Accounts Receivable Recovery Process (Priority 2).

Management Response

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

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 13-15
ACCOUNTS PAYABLE

Executive Summary

Introduction

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

The system currently holds records for 3,482 suppliers and the following payments were made in the period up to 11th December 2013:

	Number	Amount (£000)
Suppliers	3,502	18,488
Rent Allowances	17,912	9,231
Council Tax & NNDR Refunds	1,334	628

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 Accounts Payable system. The scope and objectives of the audit were discussed and agreed in advance with the Chief Accountant (Systems).

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

Key Points

Substantial Assurance

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 not made any new recommendations; however, there is one recommendation outstanding from a previous report.

Internal Audit reviewed the two agreed recommendations made in Audit Report 12-16, dated February 2013. Both recommendations have been implemented.

Internal Audit also reviewed the agreed recommendation made in Audit Report 11-19, dated November 2011. The recommendation remains outstanding and concerns:

- considering whether any action is required to ensure that all supplier invoices are paid promptly within agreed settlement terms. (Priority 3).

Management Response

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

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 13-16
HOUSING RENTS

Executive Summary

Introduction

The Council currently owns and manages 2,687 dwellings and 486 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 2013/14 is approximately £9.9m, around 73% of which will be met by housing benefit. At 31 March 2013, current tenant arrears were £203,623, equating to 2.1% of rent owed, compared to a target of 3.2% for 2012/13. At the same date, former tenant arrears were £135,745, equivalent to 1.4% of rent owed, against a target of 1.3%.

By agreement with United Utilities, the Council began collecting water charges from its tenants on 1 April 2013, with a net annual debit of around £835,000. From the same date, the Government's changes to housing benefit reduced the entitlement to rebate for those homes deemed to be under occupied based upon the new regulations. These two factors have had an impact on the collection of rent and associated charges, together with the procedures used to pursue arrears, particularly as income is now due from many tenants who had previously been entitled to full rent rebate.

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 Housing Rents system. The scope and objectives of the audit were discussed and agreed in advance with the 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 important issue

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 2 recommendation, which relates to:

- ensuring that the proposed automated process for managing former tenant arrears provides robust standard procedures for the recovery of those debts and that the effectiveness of those procedures is reviewed regularly.

Internal Audit also reviewed the one agreed recommendation made in Audit Report 12-17, dated November 2012; the recommendation has been fully implemented.

Finally, Internal Audit reviewed the outstanding recommendation made in Audit Report 11-20, dated September 2011; this recommendation has also been implemented in full.

Management Response

We have received a constructive management response from the 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 13-21
RECEIPT BOOK CHECKS**

Executive Summary

Since 2003 a number of Council Departments have ceased to collect income due to the increasing availability of electronic payment methods. Additionally, in 2012 the Council introduced an electronic receipting system for utilisation by "Customer Services" and Cemeteries departments; however, a small number of departments continue to receipt income manually. Where this occurs, receipts are required to be completed, issued and summarised on the appropriate Council Paying-in Sheet, in accordance with the Council's General Procedures for Receiving Income.

Audit Objectives

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

Key Points
Substantial Assurance
One Previous Recommendation

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that while there appears to be a basically sound income receipting system, there are weaknesses, which put some of the system objectives at risk. We have not made any new recommendations within this report, however there is one outstanding issue from previous audit reports as follows:

Internal Audit reviewed the two recommendations made in the previous Audit report 12-29, dated June 2013. One recommendation has been fully implemented and one recommendation has been considered in accordance with that recommendation.

In addition, Internal Audit reviewed the outstanding recommendation from Audit report 07-37, dated April 2008. The recommendation remains outstanding and concerns:

- marking the final receipt of the banking with the date banked. (Priority 3)

Management Response

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

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT IT 52
INFRASTRUCTURE MANAGEMENT

Executive Summary

Introduction

In accordance with the 2013/14 Internal Audit Plan, a review of the Council's Infrastructure Management arrangements was commenced in January 2014.

An appropriate, robust and well managed IT infrastructure is essential for the Council to ensure the effectiveness and resilience of its operations and services.

Audit Objectives

The audit was agreed with management as part of the 2013/14 IT Audit coverage. The main objective of the audit is to provide reasonable assurance that adequate controls exist over the Council's management of the IT infrastructure.

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

Key Points
Substantial Assurance
Three important issues

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a reasonable system of control there are weaknesses which may place some of the objectives at risk. We have identified three important issues which relate to formalising strategy and standards and to improving the management of assets. These concerns apart, we found there to be sound arrangements for the management of the Council's IT infrastructure and are therefore able to provide a substantial assurance.

We have made three Priority 2 recommendations, as follows:

- IT Services should ensure that all technology standards adopted are documented so that this may be used to support and inform future IT strategy and infrastructure decisions. As with all key documentation, arrangements for regular review should be included.
- The Council should ensure that all IT assets have a designated "owner". (Shared resources should be owned by section heads or managers.) It is also recommended that regular checks are carried out, preferably at least annually.
- The Council should consider the requirement for senior IT staff to hold regular "account management" meetings with major user representatives. It is suggested that these meetings should be formally documented, but in a brief format emphasising user needs and expectations.

Management Response

We have received constructive management responses accepting all of our recommendations and agreeing suitable timescales for implementation.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 13-02
HOUSING BENEFITS

Executive Summary

Introduction

The Council's Housing Benefit service is administered by an external provider, Liberata, under a client/contractor relationship, which has been in existence since 1998. The company uses Northgate's iWorld benefits and Anite document management systems to process and record claims. The contractor's performance is monitored by the Client Section of the Borough Treasurer's Department.

At the time of the audit review, there were 5,352 live Housing Benefit claims; most of the total benefit expenditure of around £19 million is met by subsidy from Central Government.

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 Housing Benefits system. The scope and objectives of the audit were discussed and agreed in advance with the Borough Treasurer and the Liberata Service Team Manager.

Key Points
Substantial Assurance
One previous recommendation

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

Audit Conclusion – Substantial Assurance

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

Internal Audit reviewed the four agreed recommendations from our previous audit report 12-02, dated September 2013. Three recommendations have been implemented and one recommendation has been partially implemented, the outstanding issues are as follows:

- The Council should review the process for verifying the rent applicable to benefit claims for homeless persons placed in temporary accommodation, to introduce the following controls:

- a) rents are formally agreed periodically with landlords and notified to relevant Council and Liberata staff; and
- b) the proof of rent form is signed by the homeless person.

In addition, Internal Audit reviewed the one outstanding recommendation from Audit Report 09-05, dated June 2010. This recommendation has been implemented.

Management Response

We have received a constructive management response from the Housing Manager, providing a revised implementation deadline for the recommendation.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 13-04
PERFORMANCE MANAGEMENT

Executive Summary

Introduction

The Council has developed a Performance Management Framework which is based on identifying a number of improvement activities to achieve the aims of both the Community and the Council. For each of the six Key Priorities in place in 2010/11 an action plan was in place which included annual objectives, actions and measures so progress could be assessed. In 2011/12 due to the economic climate, the Council reduced its key Priorities to the four most urgent and important issues identified in the Borough. These were reviewed in 2013 and are as follows: Housing, Regeneration and the Public Realm, Local Economy and Service Delivery.

Audit Objectives

An audit of this system forms part of the agreed 2013/14 programme. The audit objectives were to review the high-level internal controls relating to Performance Indicators. The scope and objectives of the audit were discussed and agreed in advance with the Corporate Support Manager.

Key Points
Substantial Assurance
One Minor Issue
Six Previous Recommendations

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that there are weaknesses which may put some of the system objectives at risk. We have made one new Priority three recommendation which concerns:

- considering including “inadequate Performance Management arrangements” as a risk within its Corporate Risk Register.

Internal Audit also reviewed the six agreed recommendations made in the previous audit report 12-04, dated May 2013. The recommendations are all in progress and concern:

- reviewing the reported Performance Indicators, to ensure that they reflect, and provide useful monitoring information in relation to the Council's Key Priorities. (Priority 2);
- updating corporate performance management documentation, including the Performance Management Framework. Priority 2);
- producing documented procedures relating to the performance management system, including roles and responsibilities of officers and Members; specifically including those of the Corporate Support Manager (Priority 2);

- considering setting targets for the reported performance indicators, in line with Key Priorities (Priority 2);
- revising the 'performance information' held on both its website and intranet to provide up to date indicator data and related guidance within the appropriate sections (Priority 3); and
- considering including within the Authority's annual report, more detailed information relating to the Council's performance; linking to actual performance indicator results and therefore providing a more transparent picture and demonstrating evidence for the key objectives achieved/progress made. (Priority 3)

Management Response

We have received a constructive management response from the Corporate Support Manager, accepting the recommendation and providing revised implementation deadlines.

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 88
HEATING, VENTILATION AND AIR CONDITIONING MAINTENANCE CONTRACT

Executive Summary

Introduction

This two year contract relates to the annual servicing and maintenance of heating, ventilation and air conditioning plant at various locations in the Borough. The pre-tender estimated project cost was £64,000 pa, to be funded from the Capital Programme. The contract was let in the sum of £132,508 for the two year period to the lowest tenderer, Integral UK Ltd, following competitive tendering under OJEU procedures.

Audit Objectives

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

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

Key Points
Substantial Assurance
Two important issues
One minor issue

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 two Priority 2 recommendations, which are as follows:

- the TSU Manager should outline why specific requirements stated in Contract Standing Orders were not included fully in contract documents; and
- the TSU Manager should provide an explanation in relation to the error identified within the tender evaluation process.

In addition we have made one Priority 3 recommendation, which concerns:

- It would be expected that more than one officer should evaluate the technical competence of potential tenderers and in doing so record their names alongside the evaluation document.

Management Response

We have received a constructive management response from the Technical Services Unit Manager, 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:	Heating, Ventilation and Air Conditioning Service Maintenance NWCE-99PQKQ
Contract Form:	Bespoke Barrow Borough Council Service Contract
Contractor:	Integral UK Ltd
Engineer:	N/A
Quantity Surveyor:	N/A
Other Consultants	N/A
Tender Sum:	£132,508.00 (two year period)
Contract Sum:	£132,508.00
Date for Commencement:	1 February 2014
Date for Completion:	31 January 2016
Date of Practical Completion:	N/A
Extension of Time Granted:	N/A
Delay in Completion:	N/A
Liquidated and Ascertained Damages provision/paid/received:	N/A
Minimum Insurance Cover Required	£10m Public Liability
Minimum Insurance Cover Confirmed	£10m Public Liability
Minimum Bond Required	N/A
Retention Amount	N/A
Latest Contract Valuation:	N/A
Anticipated Final Account Sum:	N/A
Percentage increase/decrease: Latest Valuation against Contract Sum Anticipated Outturn against Contract Sum	N/A

BARROW BOROUGH COUNCIL
INTERNAL AUDIT DRAFT REPORT CHP1
CUMBRIA HOUSING PARTNERS (CHP) CONTRACTS:
2011 - 2015 INVESTMENTS TO MEET DECENT HOMES STANDARD:
BATHROOMS CR71
HEATING CR72
KITCHENS CR73
PAINTING CR74
REWIRES CR76
2012 - 2016 DISABLED ADAPTATIONS CR78

Executive Summary

Introduction

Five of these six projects relate to a programme to maintain the Council's housing stock at the decent homes standard during the period 2011-15; the Housing Stock Survey identified and prioritised the dwellings in need of improvement. The sixth project relates to the adaptation of Council dwellings for disabled occupants; works are commissioned on an individual basis and carried out by the selected contractor.

The Council agreed that these contracts should be tendered and awarded using the Cumbria Housing Partnership (CHP) framework agreement provided by Procure Plus. Contractors for these projects were selected for consideration from organisations accepted into the framework and the appointment process was managed by Procure Plus using its electronic procurement system.

Installations relating to Bathrooms, Heating, Kitchens and Rewiring were subject to "mini-competitions", which included tender appraisals. Following this exercise, the Executive Committee on 16 March 2011 appointed the tenderer attaining the highest evaluation scores for cost and quality of service. At the same meeting, the Committee also awarded the Painting contract on a direct "call off" basis within the framework to the firm with the highest ranking and had completed similar work successfully for the past two years.

The Decent Homes Investment contracts were awarded for four years with annual target costs as follows:

Bathrooms	A B Mitchell Limited	£253,000
Heating	A B Mitchell Limited	£642,233

Kitchens	A B Mitchell Limited	£717,000
Rewiring	Keith Wilson	£273,929
Painting	G H Jones	£168,270

Four companies expressed an interest in tendering for the Disabled Adaptations work, however only one tender was received. The Executive Committee was advised that the firm had previously achieved 100% satisfaction levels for its work and that its tender represented only a small price increase over its 2008 rates. The Committee agreed on 18 April 2012 to appoint A B Mitchell Limited for a period of four years, with an estimated contract value of £300,000 pa, subject to an annual review of service delivery and customer satisfaction levels.

In all cases, the proposed contractual arrangements require three parallel contracts between Procure Plus and all framework contractors; Procure Plus and the Council; and an underlying contract between the Council and the individual selected contractor.

Audit Objectives

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

The above "term" contracts are not subject to a final accounts process; Internal Audit have reviewed progress to the stage of completion of the contract documentation. The audit objectives were to perform an examination of the selection and contract award process and associated documentation.

Key Points
Substantial Assurance
Two important issues
Two minor issues

Audit Conclusion – Substantial Assurance

At an early stage in the audit review, it became apparent that there were potential weaknesses in the existing contractual arrangements for the CHP contracts, principally that the Council has no direct binding relationship with each of the selected contractors. Although no legal action has been threatened, the Council's interests could be at risk in the event of challenge or default by a contractor. The Head of Internal Audit discussed these concerns with the Director of Resources, who commissioned external legal and quantity surveying advice on the legal documentation. The legal advice indicated that there were safeguards for the Council but concurred with the view that there was latent risk in operating without finalised underlying contracts and that these should be put in place as soon as possible.

Further the Director has commissioned the external consultants to draft a new, simplified and clearer contract for work procured through CHP. This draft contract is now at an advanced stage and will soon be available for use by the Council. The Head of Internal Audit has been closely involved with the process and has been able to take assurance that the Council is dealing satisfactorily with potential concerns.

A further issue arose during the review: key information to substantiate compliance with Contract Standing Orders, which Internal Audit would expect to be readily available from the Procure Plus system, could not be provided. Through discussion, it became apparent that some of this could be retrieved from the system, but only as an enquiry by Procure Plus staff, while other records could be obtained from copy correspondence.

After a prolonged period of time and requiring the personal involvement of the Director of Resources, the information for these six contracts has been provided to Internal Audit's satisfaction. It is concerning that significant effort has been expended to provide information which should be easily accessible from procurement software. Internal Audit understands that Cumbria Housing Partners are currently in discussion with Procure Plus about reporting a sound management trail from the system; the Council is encouraged to pursue this so that greater confidence can be placed on future tender processes.

As a result of the audit and the subsequent developments, we have concluded that, although improvements are being progressed, there remain weaknesses in control which may put some of the system objectives at risk.

We have made two Priority 2 recommendations addressing these points, which concern:

- the Council should:
 - a) complete the drafting of an acceptable standard underlying contract for work procured using the Procure Plus framework;
 - b) finalise standard contracts with the contractors for the six ongoing Housing projects; and
 - c) use the standard contract for all future schemes procured through Cumbria Housing Partners and Procure Plus.
- ensuring that, in order to provide sufficient assurance that the tendering and contract processes for projects, managed via the Cumbria Housing Partners framework arrangement, have complied with Contract Standing Orders:
 - a) the Procure Plus system records an adequate management trail of key events, actions and information; and
 - b) that this information is readily available from the system.

As a minimum, the information requested by Internal Audit should be available; ideally it should be accessible by on-line screen displays, however it may be acceptable for it to be provided by means of a specific enquiry report.

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

- the Housing Maintenance Manager, when re-tendering these contracts, ensuring that:
 - a) deadlines for the submission of tenders are clearly stated in initial tender documents; and
 - b) all notifications are made in confidence to individual tenderers; and
- the Housing Maintenance Manager, when re-tendering these contracts, ensuring that realistic tender deadlines are set so that contractors are given sufficient time to prepare and submit tenders.

Management Response

We have received constructive management responses from the Director of Resources and the Housing Maintenance Manager, accepting each of the recommendations.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 14-12
CAR PARK METER INCOME

Executive Summary

Introduction

The Council's Parking Services Department are responsible for the collection of income from car park pay and display machines within the Borough. There are currently 22 pay and display machines, from which total income received during 2013/14 was £722,768. Since November 2010 the Borough Council has provided the facility for car park users to pay using a mobile phone technology via "RingGo", which allows the user to make payment with a credit or debit card rather than using cash at a machine.

Audit Objectives

An audit of this system forms part of the agreed 2014/15 programme. The audit objectives were to evaluate and test the internal controls over the car park meter income process. The scope and objectives of the audit were discussed and agreed in advance with the Admin and Parking Services Manager.

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

Key Points
Substantial Assurance
One important issue
Two minor issues
Two Previous recommendations

Audit Conclusion – Substantial Assurance

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

- locating the audit tickets relating to car park meter income for the period May 2013 to September 2013 and cross-checking the information to car park meter income sheets, to confirm accuracy.

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

- considering including RingGo telephone income figures on the monthly spreadsheets of car park ticket sales and machine income; and
- ensuring that the receipts for the number of cash boxes received are accurately completed.

Internal Audit reviewed the agreed recommendation made in audit report 13-09, dated September 2013, which has been implemented.

Internal Audit reviewed the outstanding recommendation made in audit report 11-12, dated July 2011. The recommendation remains outstanding and relates to:

- ensuring that parking procedures are updated on a regular basis. (Priority 3)

Internal Audit also reviewed the one outstanding recommendation from audit report 10-13, dated July 2010. The recommendation remains outstanding and concerns:

- ensuring that all variances identified between ticket machine audit tickets and cash collected are recorded on the 'Car Park Ticket Machine Income' sheets; and therefore subject to review by the Admin and Parking Services Manager. (Priority 3)

Management Response

We have received a constructive management response from the Admin and Parking Services Manager, accepting each of the recommendations.

Acknowledgement

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

AUDIT COMMITTEE	Part One (D) Agenda Item 12
Date of Meeting: 26th June, 2014	
Reporting Officer: Director of Resources	
<p>Title: Internal Audit Annual Report 2013-2014</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Annual Report for 2013-2014 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive and note the Internal Audit Report for 2013-2014.</p>	

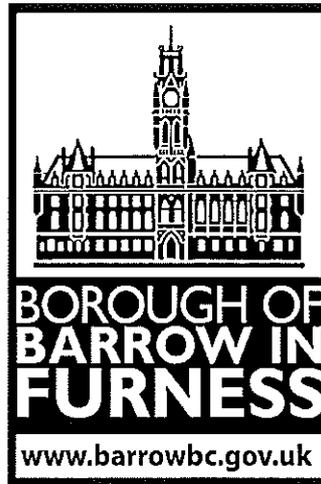
Report

The Head of Internal Audit is required to produce an Annual Report and provide an opinion on the Council's system of internal control.

The Internal Audit Annual Report for 2013-2014 is attached at **Appendix 16**. The Head of Internal Auditor will present the report to Members.

Background Papers

Nil



BARROW BOROUGH COUNCIL

INTERNAL AUDIT ANNUAL REPORT

2013/14

June 2014

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EXECUTIVE SUMMARY

Background

The purpose of this report is to meet the Head of Internal Audit's annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit's formal annual report should present an opinion on the overall adequacy and effectiveness of the internal control environment, and:

- a) Include an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- b) Disclose any qualifications to that opinion, together with the reasons for the qualification, including impairment or restriction in scope;
- c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- e) Compare the work actually undertaken with the work that was planned; and
- f) Comment on compliance with these standards and the Internal Audit quality assurance programme.

The PSIAS require that the Chief Audit Executive (Head of Internal Audit) should deliver an annual report which can be used by the organisation to inform its annual governance statement. Therefore, in setting out how it meets the reporting requirements, this report also outlines how the Internal Audit function has supported the Council in meeting the requirements of the Accounts and Audit Regulations 2011.

Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with law and proper standards. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Quality Assurance

Internal Audit operates in accordance with its Audit Charter which includes a defined quality assurance process, involving all documentation being subject to peer review by a different Auditor within the team and subsequent sign-off by the Head of Internal Audit. This process has been consistently maintained throughout 2013/14 and applied to each individual audit assignment. Additionally, Internal Audit has met all performance measures relevant to the service during the year.

Review of Effectiveness of Internal Audit

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal audit. The review of the effectiveness of the system of internal audit is informed by the work of the internal auditors and the senior managers within the authority who have responsibility for the development and maintenance of the internal control environment; and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports. The result of this review is that the Internal Audit service has operated satisfactorily throughout 2013/14.

Basis of Assurance

We have conducted our audits in accordance with professional standards and good practice contained within the PSIAS and additionally from our own internal quality assurance systems. We have not identified any limitations in the scope of our audit work in "qualifications to the opinion" within the detail of this report.

In addition, Internal Audit have undertaken a self assessment against the requirements of the PSIAS, and can confirm substantial compliance.

Head of Internal Audit Annual Opinion Statement

This opinion statement is provided in support of the Council's Annual Governance Statement as required under the Accounts and Audit Regulations 2011. The opinion is derived from work carried out by Internal Audit during the year as part of the agreed Internal Audit Plan. The Plan for 2013/14 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the internal control environment.

The PSIAS state that the internal control environment comprises three key areas: internal control, governance and risk management processes. My opinion on the effectiveness of the internal control environment is based on an assessment of each of these key areas.

As referred to in the "Background" there is a requirement for the "system of Internal Audit" to include an assessment of sources of assurance, beyond just that of Internal Audit itself. As the Council is required to produce an Annual Governance Statement sources of assurance are reflected within this process, which Internal Audit are a part of; therefore the control environment is reviewed more fully in this way.

2013/14 Year Opinion

This report provides reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2013/14.

My detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.

Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to senior management and Members. Additional weaknesses identified through the Annual Governance Statement process are recorded separately and reflect the assurance provided from all sources both internal and external.

Co-operation

The successful achievement of the audit plan is dependent on the contribution of the Council's staff as audit clients. I would like to record our appreciation for the involvement and commitment of staff, and for their critical appraisal of our recommendations during the year. I would also like to acknowledge the support shown by the Audit Committee in the delivery of our Plan.

Keith Jackson
Director
Furness Audit

1. SERVICE BACKGROUND

1.1 Our reporting lines

Furness Audit provide the Council's Internal Audit service under the direction of the Director of Resources with access to the Executive Director and elected Members if, in exceptional circumstances, we consider this necessary.

The Head of Internal Audit, Keith Jackson, meets with the Director of Resources, on a regular basis to discuss progress; in addition to attendance at External Audit liaison meetings. He also attends Audit Committee on a regular basis, which includes presentation of progress reports and an analysis of significant agreed recommendations.

1.2 Professional standards

We aim to exceed the professional standards throughout our work, providing your internal audit service in accordance with the Internal Audit Charter, which incorporates the statements, standards and guidelines published by CIPFA and the Chartered Institute of Internal Auditors (in particular the PSIAS).

1.3 Our audit process

We adopt a risk-based approach to identify, and evaluate the application of, financial and other management controls.

Our process includes a computerised matrix evaluation approach. This approach is a practical process for documenting efficiently, and in an easily assimilated form, a rigorous analysis of the potential causes of risk and an assessment of the strength of controls against these risks. In addition, it can be used to demonstrate clearly the effect of implementing recommendations to address weaknesses. It allows for ready identification of control weaknesses, and of key controls, which are critical for the achievement of the systems objectives, as well as unnecessary or excessive controls. Our methodology specifically includes a rigorous quality assurance programme to ensure compliance with this process.

The level and mix of staff utilised for the internal audit service is matched to the complexity of each assignment, with specialists, such as computer auditors and contract auditors, utilised where appropriate. However, continuity of audit staffing is a key feature of the service provided throughout the contract.

1.4 2013/14 Audit Plan

The Audit Plan for 2013/14 was derived from a needs assessment of all agreed auditable areas within the Council. Each area is prioritised by significance band of which there are 5, with band 1 being the highest. This has resulted in an annual plan which concentrates on reviewing all significance band 1 and 2 audits (annual audits) with the remaining time allocated on a risk assessed and

cyclical basis. This assessment and resultant plan may be reviewed by Internal Audit during the year as required.

During the year, the specific scope and objective of each audit assignment was discussed with the relevant Service Manager prior to the commencement of each audit.

We will continue to monitor closely any new issues which may arise and will work closely with the Director of Resources in rescheduling priorities where required.

2. REVIEW OF PERIOD

2.1 Progress against 2013/14 Annual Plan

A detailed analysis of the current situation regarding the 2013/14 Plan is provided in Appendix A.

The assessment of auditable areas has identified 74 systems, which cover the Council's operations. The audit coverage achieved in the period, compared to the audit plan, is set out in the table below. The difference in planned coverage compared to actual mainly relates to changes made to the audit plan to accommodate requests for an increased number of contract audit reviews. In addition, Housing Benefit Grant Certification testing has been completed which is not reflected in these figures, all of which were included within regular progress reports issued to the Audit Committee.

	Percentage of systems covered		Percentage of risk covered	
	2013/14	2012/13	2013/14	2012/13
Planned	34%	43%	70%	55%
Achieved	35%	41%	78%	52%

2.2 Liaison with External Audit

I have liaised with the External Auditor throughout the year; providing detailed information and documentation to assist in the delivery of their work.

Our aim is to maximise the benefit from the Internal Audit service by avoiding duplication of coverage and facilitating where appropriate the External Auditor's approach, in order to provide maximum assurance.

2.3 Fraud Hotline

As part of the Council's responsibility to take action against potential fraud and corruption, a "Whistle-blowing" facility (or Fraud Hotline) has been established since May 1998, for use by Council staff, contractors, suppliers and members of the public. The facility is operated by Internal Audit and call details are either investigated by Internal Audit or Liberata, the Council's Revenues and Benefits provider.

Calls received:	Revenues/ Benefit related	Staff Related	Other	Total
2013/14	106	0	7	113
2012/13	94	1	1	96

3. ANNUAL STATEMENT OF ASSURANCE

In order to help management evaluate the significance of each assignment, we allocate each audit into a significance band which is simply a method of assessment and prioritisation. For example significance band 1 audits have the greatest "significance" or priority in terms of audit coverage. 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
Unqualified Assurance	The controls appear to be consistently applied.
Substantial Assurance	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
Restricted Assurance	The level of non-compliance identified places the system objectives at risk.
None	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

The following table summarises the assurance levels recorded in final reports relating to the years 2013/14 and 2012/13. The majority of Council systems have achieved the level of Substantial Assurance, see Appendix A:

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2013/14	22	2	9	20	91	0	0	0	0
2012/13	19	3	16	14	74	2	10	0	0

The conclusions and assurance levels specified for each audit are used to support the Council's governance review arrangements, as required by the Accounts and Audit Regulations 2011 and the Public Sector Internal Audit Standards.

4. RECOMMENDATIONS AND FOLLOW UP IN THE YEAR

4.1 Introduction

Our audit recommendations are categorised by three priority levels. These categorisations are described below.

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.

4.2 Recommendations made

The following table summarises the number of audit recommendations made in our Final Reports issued during 2013/14, and the management responses, analysed in accordance with the above categories.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2013/14	60	0	39	21
Fully Accepted	54	0	33	21
Partly Accepted	6	0	6	0
Not Accepted	0	0	0	0

Comparative figures for 2012/13 are as follows:

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2012/13	53	1	29	23
Fully Accepted	51	1	27	23
Partly Accepted	2	0	2	0
Not Accepted	0	0	0	0

4.3 Implementation of recommendations

During the year we have reported on the implementation of 121 agreed audit recommendations made in previous reports. The results are as follows:

	Fully Implemented	Not Implemented	Overtaken By Events	TOTAL
2013/14	57	37	27	121
2012/13	103	23	23	149

For recommendations not fully implemented revised dates have been agreed with management for their implementation. Internal Audit will further review progress on their implementation during 2014/15.

5. QUALIFICATIONS TO THE OPINION

Internal Audit has had unrestricted access to all areas and systems across the authority and has received appropriate co-operation from officers and Members.

APPENDIX A

PROGRESS AGAINST AUDIT PLAN 2013/14

Report Number	Audit Assignment	SYSTEM SIGNIFICANCE BAND	Status	Assurance
13-01	Income Collection	1	Final	Substantial
13-02	Housing Benefits	1	Final	Substantial
13-03	Council Tax	1	Final	Substantial
13-04	Performance Management	2	Final	Substantial
13-05	Business Rates (NNDR)	1	Final	Substantial
13-06	Risk Management	1	Complete	N/a
13-07	Budgetary Control	2	Final	Substantial
13-08	Treasury Management	2	Final	Unqualified
13-09	Car Park Meter Income	2	Final	Substantial
13-10	Payroll (inc. Expenses)	2	Final	Unqualified
13-11	Accounts Receivable	2	Final	Substantial
13-12	Corporate Control/Governance	2	Ongoing	
13-13	Main Accounting System and Periodic Controls	2	Complete	N/a
13-14	Procurement (inc. Ordering)	2	Replaced by Contract Audit	
13-15	Accounts Payable	2	Final	Substantial
13-16	Housing Rents	2	Final	Substantial
13-17	Standing Orders /Financial Regs/ Anti Fraud	2	Complete	N/a
13-18	Housing Non Routine Maintenance	2	Replaced by Contract Audit	
	RISK ASSESSED SYSTEMS			
13-24	Grant Funding - Empty Homes Grant	n/a	Complete	
13-25	Probity Liberata Access Control	n/a	Complete	
	DESIGNATED ANNUAL AUDIT ACTIVITY			
13-21	Receipt Book Checks		Final	Substantial
13-22	NFI Responsibilities		Complete	
13-23	Benefit Certification		Complete	

Report Number	Audit Assignment	SYSTEM SIGNIFICANCE BAND	Status	Assurance
	Community Organisations and Mayor's Account:			
-	Hawcoat		Complete	
-	Abbotsvale		Complete	
-	Dalton Community Association		Complete	
-	Barrow Playing Fields Users Association		In Progress	
13-20	Mayor's Account		Complete	
	IT ENVIRONMENT AUDITS			
IT 51	Information Security Policies	1	Final	Substantial
IT 52	IT Infrastructure Management	1	Final	Substantial
IT 53	Implementation Review	1	Complete	
	CONTRACT AUDIT			
CR71, 72, 73, 74, 76, 78	CHP1 2011-2015 Investments to Meet Decent Homes Standards and 2012-2016 Disabled Adaptations		Final	Substantial
CR75	2011/15 CHP Responsive Repairs		Final	Substantial
CR77	Proposed Soccer Centre, Park Leisure Centre		Stage 3 review complete	
CR82	North Central Group Repair Scheme		Stage 5 review complete	
CR83	Dock Museum New Car Park and Access		Final	Substantial
CR84	Barrow Cemetery NW Extension		Stage 2 review complete	
CR85	Catering and Events Management		Draft	Restricted
CR86	Town Hall Roof		Stage 2 review complete	
CR87	Craven House Roof		Commenced	
CR88	Heating and Ventilation Contract		Final	Substantial

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

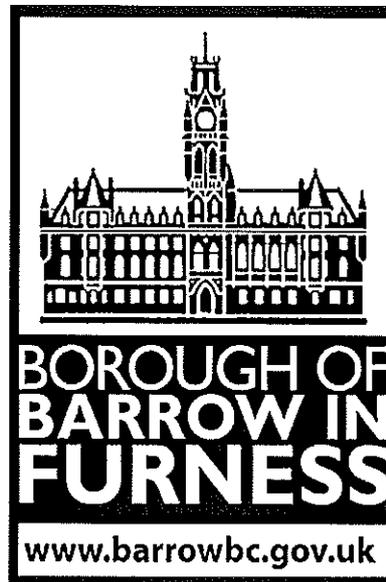
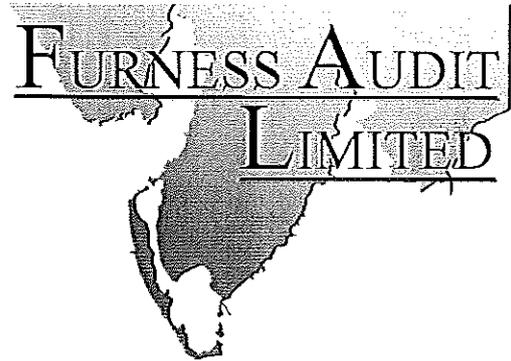
AUDIT COMMITTEE	<u>Part One</u> (D) Agenda Item 13
Date of Meeting: 26th June, 2014	
Reporting Officer: Director of Resources	
<p>Title: Internal Audit Charter</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Charter describes the relationship between the Council as the client organisation and Furness Audit as the external provider of its internal audit service, together with a statement of the extent of that service.</p> <p>Recommendations:</p> <p>Members are recommended to endorse the charter.</p>	

Report

The Charter attached at **Appendix 17** describes the relationship between the Council as the client organisation and Furness Audit as the external provider of its internal audit service, together with a statement of the extent of that service.

Background Papers

PSIAS compliance checklist.



Internal Audit Charter

June 2014

Barrow Borough Council & Furness Audit

Internal Audit Charter

This Charter describes the relationship between the Council as the client organisation and Furness Audit as the external provider of its internal audit service, together with a statement of the extent of that service.

Purpose

Internal auditing is an independent, objective assurance and consulting activity designed to add value to improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

Standards

The Accounts and Audit (England) Regulations 2011 require the Council to undertake an adequate and effective internal audit in accordance with proper practices. These are set out in the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA).

Furness Audit operates substantially in accordance with this statutory framework.

Professionalism

The Head of Internal Audit is professionally qualified and complies with the guidance published by CIPFA in its "Role of the Head of Internal Audit in Public Service Organisations".

In carrying out their duties, Internal Auditors have regard to:

- the PSIAS and the Local Government Application Note;
- the CIPFA/IIA Code of Ethics;
- the Committee on Standards in Public Life's "Seven Principles of Public Life"; and
- their own profession's standards.

In addition, the internal audit service provided by Furness Audit conforms to its Audit Manual and the Council's policies and procedures relating to Internal Audit.

Organisation

The Council's Constitution delegates responsibility for internal audit and governance issues to its Audit Committee, which fulfils the role of "the Board" described in the PSIAS.

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government places a personal responsibility for internal audit on the CFO, represented at the Council by its Director of Resources.

The Head of Internal Audit reports functionally to the Audit Committee and administratively to the Director of Resources (the Section 151 Officer).

The Head of Internal Audit also has free and unrestricted access to the Chairman of the Audit Committee, the Council's Executive Director (Head of Paid Service), Director of Resources (Section 151 Officer) and Democratic Services Manager (Monitoring Officer).

Authority

The Council's Financial Regulations authorise Internal Auditors, as representatives of the Director of Resources, to enter at all reasonable times any offices, premises or land under the control of the Council and to have unrestricted access to all records, documents and correspondence relating to any matter under consideration, without limitation.

Further, all Council staff and contractors must provide such information and explanations as considered necessary and produce upon demand cash, stocks, documents or other property of the Council under their control.

Independence and Objectivity

Internal Audit is organisationally independent of the activities of the Council; in particular, internal auditors have no direct operational responsibility or authority over any of the activities audited.

In order to maintain the necessary independence and objectivity, the internal audit service is free from interference by any element in the Council, including matters of audit selection, scope, procedures, frequency, timing or report content

Scope and Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's entire governance, risk management and internal control processes in relation to its defined goals and objectives.

Based on its activity, Internal Audit is responsible for reporting significant risk exposure and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters requested by the Committee.

The Head of Internal Audit is responsible for formulating an annual opinion on the overall adequacy and effectiveness of the internal control environment; the Council is able to place assurance on this opinion, taking into account any stated qualifications. Assurances are only provided to external parties with the agreement of the Director of Resources.

By issuing the annual opinion and by direct involvement with Council managers, Internal Audit contributes to the Council's annual review of the effectiveness of its system of internal control and the preparation of its Annual Governance Statement.

Consultancy Work

Internal audit may perform consulting, advisory or support services related to governance, risk management and control arrangements as commissioned by the Council. In undertaking such assignments, the Head of Internal Audit will operate arrangements which ensure that there are no conflicts of interest with mainstream internal audit work.

Internal Audit Plan

The overall resource budget for the Internal Audit service is determined by the contract between Furness Audit and the Council. Within that budget, the Head of Internal Audit submits an annual Audit Plan for approval by the Audit Committee. The Plan is based on a prioritisation of the audit universe using a risk-based methodology. Prior to its submission to the Committee for approval, the Plan will be discussed with the Director of Resources and, as required, Management Board.

Both the Head of Internal Audit and the Director of Resources are able to raise concerns with the Audit Committee if they consider the proposed resources are insufficient to provide an adequate and effective internal audit of the Council's activities.

Reporting and Monitoring

Following the conclusion of each individual audit, the Head of Internal Audit issues a written report which describes identified system weaknesses, proposes recommended improvements and provides an opinion on the assurance which can be placed on the internal controls in operation. The report includes management's response to the findings and plans for corrective action. Internal Audit is responsible for following up recommendations to ensure that they are implemented.

All individual audit reports are submitted to the Director of Resources for presentation to the Audit Committee. The Committee also receives quarterly progress reports, from the

Head of Internal Audit, and an annual outturn report containing his opinion on the control environment.

Quality Assurance

Internal Audit has a defined quality assurance methodology which applies to all information it produces. All files, working papers, draft and final reports are subject to peer review by a different Auditor within the team and subsequent sign-off by the Head of Internal Audit. Additionally, the service is subject to a periodic assessment against the PSIAS as applied to Local Government and to the annual review of effectiveness required by the Accounts and Audit Regulations.

Anti-Fraud Work

The Audit Plan provides sufficient resource for Internal Audit's involvement in several of the Council's anti-fraud measures. Internal Audit operates a confidential telephone hotline service for the Council, whereby members of the public can notify their concerns; the majority of such calls relate to suspected benefit fraud, which are referred for investigation by a specialist team employed by Liberata.

Financial Regulations require all staff to inform Internal Audit where they suspect financial irregularity. Similarly, staff concerns can be raised with Internal Audit under the Whistleblowing Policy. Internal Audit contributes to reviews of the Anti-Fraud and Corruption Policy and has a role under that Policy to investigate potential fraudulent activity as requested by the Director of Resources. Finally, Internal Audit is appropriately involved in investigating results from the National Fraud Initiative (NFI) data matching exercise.

Review

This Charter is subject to review and approval at least every three years and on the renewal of the contracted-out service.

Periodic Assessment

The Head of Internal Audit is also responsible for undertaking a periodic self-assessment of the consistency of the internal audit activity with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

Approved by:

Head of Internal Audit

Audit Committee

Date of Approval: 26th June 2014

		<u>Part One</u>
AUDIT COMMITTEE		(D)
Date of Meeting: 26th June, 2014		Agenda
Reporting Officer: Director of Resources		Item
		14
<p>Title: Annual Review of Internal Audit 2013-2014</p> <p>Summary and Conclusions:</p> <p>An annual review of the effectiveness of the Internal Audit service is required by the Accounts and Audit Regulations 2011.</p> <p>Internal Audit must comply with proper practice as defined by the code of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This code is recognised in the Accounts and Audit Regulations as proper practice.</p> <p>For the year 2013-2014 a review has been undertaken and this report informs Committee of the findings.</p> <p>I am satisfied that the Internal Audit service is effective.</p> <p>Recommendations:</p> <p>Members are recommended to endorse the review.</p>		

Report

Regulation 4 of the Accounts and Audit Regulations 2011 requires audited bodies to conduct a review of the effectiveness of its system of internal control at least once a year. Regulation 4 also requires the findings of the review of the system of internal control to be considered by this committee. This review is contained within the Annual Governance Statement, presented to Members as part of the agenda at this committee meeting.

Regulation 6 of the Accounts and Audit Regulations 2011 requires audited bodies to review the effectiveness of their Internal Audit service once a year and for the findings of the review to be considered by this committee; this is part of the system of internal control referred to in Regulation 4.

I am satisfied that the Internal Audit service is effective. I have referred to the following documents to support my opinion:

1. Public Sector Internal Audit Standards (PSIAS) - a self-assessment checklist completed by the Head of Internal Audit and reviewed by the Borough Treasurer;
2. The CIPFA statement on the role of the Head of Internal Audit in local government – a self-assessment completed by the Head of Internal Audit and reviewed by the Borough Treasurer;
3. The Internal Audit annual report for 2013-2014 – this contains the performance of the service for the financial year; and
4. Post audit questionnaires – these are returned by departmental managers to reflect satisfaction with the service.

Public Sector Internal Audit Standards

This is a self-assessment which covers the Authority and its Internal Audit arrangements:

- Scope of Internal Audit
- Independence
- Ethics for internal auditors
- Audit Committees
- Relationships
- Staffing, training and development
- Audit strategy and planning
- Undertaking audit work
- Due professional care
- Reporting
- Performance, quality and effectiveness

The Internal Audit Service is substantially compliant with these standards.

The CIPFA statement on the role of the Head of Internal Audit (HIA) in local government

This self-assessment checklist is split into five standards which are all adopted by the Head of Internal Audit apart from one of the criteria which only applies if the Head of Internal Audit is an employee of the Authority and is therefore not applicable.

The Internal Audit annual report for 2013-2014

This is presented as part of the agenda at this committee meeting.

Post audit questionnaires

Once audits are completed, departmental managers are issued with a satisfaction questionnaire. The questionnaire contains seven questions that are scored on the scale very good, good, satisfactory, below average and poor:

1. Assignment planning and fieldwork – the opportunity for you to comment on the scope and objectives of the audit;
2. Assignment planning and fieldwork – the technical knowledge of the auditor;
3. Assignment planning and fieldwork – the auditors understanding of your service and its business needs;
4. Assignment planning and fieldwork – the professional conduct of the auditor;
5. Reporting – clarity of the report/practicality and relevance of the recommendations;
6. Reporting – the report meeting the audit objectives; and
7. Overall assessment – overall assessment of the audit.

The completed questionnaires are returned to the Borough Treasurer and it is my expectation that the service should perform to a good standard which equates to an 80% satisfaction rate. From the questionnaires returned for 2013-2014, the Internal Audit service achieved an 86% satisfaction rate.

Background Papers

Documents noted in the report.

AUDIT COMMITTEE		<u>Part One</u> (D) Agenda Item 15
Date of Meeting: 26th June, 2014		
Reporting Officer: Director of Resources		
<p>Title: Internal Audit Performance Indicators</p> <p>Summary and Conclusions:</p> <p>This report sets out the performance indicators for the Internal Audit Service.</p> <p>Recommendations:</p> <p>Members are recommended to approve the performance indicators.</p>		

Report

The Public Sector Internal Audit Standards require the Internal Audit Service to be measured in terms of performance. To enable this to happen there must be a number of performance indicators adopted to reflect the service provided and Management's responses.

The proposed indicators are the percentage of:

1. Draft reports issued within 10 working days of completion of audit fieldwork.
2. Management Responses received within 20 working days of issue of the Draft report.
3. Final Reports issued within 10 working days of receipt of management response.
4. Priority 1 and Priority 2 recommendations acceptable to the audit client.

Publishing the indicators will allow the Audit Committee to fulfil its annual review of the Council's Internal Audit arrangements and effectiveness.

Background Papers

Nil.

		Part One
AUDIT COMMITTEE		(D)
Date of Meeting: 26th June, 2014		Agenda
Reporting Officer: Director of Resources		Item
		16
<p>Title: Audit Committee Terms of Reference</p> <p>Summary and Conclusions:</p> <p>The Audit Committee Terms of Reference are set out in this report. These have not changed and are contained within the Council's constitution.</p> <p>Recommendations:</p> <p>Members are recommended to receive and note the report.</p>		

Report

The Audit Committee Terms of Reference are set out in the Council's constitution and are reported here to provide Members with the framework of the Committee's business and responsibilities.

Audit Activity

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

- To consider the appointment of the external auditor where appropriate.

Regulatory Framework

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

Accounts

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

Background Papers

Nil

AUDIT COMMITTEE	Part One (D) Agenda Item 17
Date of Meeting: 26th June, 2014	
Reporting Officer: Director of Resources	
<p>Title: Annual Review of Audit Committee Effectiveness</p> <p>Summary and Conclusions:</p> <p>It is good practice to review the effectiveness of the Audit Committee. Using the CIPFA's Toolkit for Local Authority Audit Committees, the review has been completed.</p> <p>Recommendations:</p> <p>Members are recommended to consider and approve the review.</p>	

Report

CIPFA recommend that an assessment is undertaken by the Audit Committee to ensure that its effectiveness is regularly reviewed. CIPFA recommend that this can be achieved by using an evaluation checklist such as CIPFA's Toolkit for Local Authority Audit Committees.

The completed evaluation checklist is attached at **Appendix 18**.

The initial review during 2013-2014 was performed by the Chair and Vice-Chair with the Borough Treasurer and there have been no significant changes since last year.

Background Papers

Nil

Audit Committee Self-assessment checklist

Priority	Issue	Yes	No	N/A	Comments/Action
ESTABLISHMENT, OPERATION AND DUTIES					
Role and remit					
1	Does the Audit Committee have written terms of reference	Y			Constitution of the Council.
1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Y			Constitution of the Council.
1	Are the terms of reference approved by the Council and reviewed periodically.	Y			Audit Committee June meeting.
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y			
1	Can the audit committee access other committees and full council as necessary?	Y			
2	Does the audit committee periodically assess its own effectiveness?	Y			Annual self-assessment.
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?			N/A	Audit Committee reports to every Full Council.
Membership, induction and training					
1	Has the membership of the audit committee been formally agreed and a quorum set?	Y			
1	Is the chair independent of the executive function?	Y			Not on Executive Committee or any other committee.
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management.	Y			Bannisdale Consulting, June 2011. LG Futures, February 2013. Grant Thornton, March 2013.
1	Are new audit committee members provided with an appropriate induction?	Y			Training is provided.

Priority	Issue	Yes	No	N/A	Comments/Action
1	Have all Members' skills and experiences been assessed and training given for identified gaps?	Y			Personal Development Plans.
1	Has each Member declared his or her business interest?	Y			Register of interests. Declarations at meetings is a standard agenda item.
2	Are Members sufficiently independent of the other key committees of the Council?	Y			No Members on Audit Committee are on the Executive or Scrutiny Committees.
Meetings					
1	Does the audit committee meet regularly?	Y			Quarterly.
1	Do the terms of reference set out the frequency of the meetings?	Y			The original establishment of the Audit Committee set the quarterly meetings – Executive Committee 28.03.2007.
1	Does the audit committee calendar meet the authority's business needs, governance needs, and the financial calendar?	Y			Statement of Accounts go to the September meeting.
1	Are Members attending meetings on a regular basis and if not, is appropriate action taken?	Y			
1	Are meetings free and open without political influences being displayed?	Y			
1	Does the authority's S151 Officer or deputy attend all meetings?	Y			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y			Senior Managers attend for particular items.
INTERNAL CONTROL					
1	Does the audit committee consider the Annual Governance Statement (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			Draft presented at the June meeting to allow time for consideration before approval at the September meeting.

Priority	Issue	Yes	No	N/A	Comments/Action
1	Does the audit committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	Y			
1	Does the audit Committee consider how meaningful the AGS is?	Y			
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y			Annual Internal Audit report is presented at the June meeting.
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	Y			Relationship between Audit Committee and Executive Committee covered in training and risk management policy.
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	Y			The Council's anti-fraud and corruption policies address the requirements of the CIPFA guidance.
1	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	Y			Fraud hotline. Reminders to staff about the whistleblowing policy.
2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Y			
2	Does the audit committee review the authority's strategic risk register at least annually?	Y			Presented at every meeting.
2	Does the audit committee monitor how the authority assesses its risk?	Y			
2	Does the audit committee's terms of reference include oversight of the risk management process?	Y			
FINANCIAL REPORTING AND REGULATORY MATTERS					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Y			

Priority	Issue	Yes	No	N/A	Comments/Action
1	<p>Does the audit committee consider specifically:</p> <ul style="list-style-type: none"> • The suitability of accounting policies and treatments • Major judgements made • Large write-offs • Changes in accounting treatment • The reasonableness of accounting estimates <p>The narrative aspects of reporting?</p>	Y			
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y			September meeting.
1	Does the audit committee review management's letter of representation?	Y			September meeting.
2	Does the audit committee annually review the accounting policies of the authority?	Y			
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y			
2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y			Reports to the committee from officers and from the external auditors. Member Personal Development Plans.
INTERNAL AUDIT					
1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			

Priority	Issue	Yes	No	N/A	Comments/Action
1	Does internal audit have an appropriate reporting line to the audit committee?	Y			
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y			
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y			
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	Y			If the need arises/by request.
1	Is there appropriate cooperation between the internal and external auditors?	Y			
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	Y			Through the specification of the contract.
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal Audit and Local Government in the United Kingdom?	Y			Audit Committee June meeting.
2	Are internal audit performance measures monitored by the audit committee?	Y			Annual report.
2	Has the audit committee considered the information it wishes to receive from internal audit?	Y			
EXTERNAL AUDIT					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	Y			

Priority	Issue	Yes	No	N/A	Comments/Action
1	Does the audit committee hold periodic private discussions with the external auditor?	Y			As required.
1	Does the audit committee review the external auditor's annual report to those charged with governance?	Y			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y			
1	Are reports on the work of external audit and other inspection agencies presented to the committee?	Y			
1	Does the audit committee assess the performance of external audit?	Y			
1	Does the audit committee consider and approve the external audit fee?	Y			
ADMINISTRATION					
Agenda management					
1	Does the audit committee have a designated secretary from Democratic Services?	Y			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Y			
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			Annual work plan.
2	Are inputs for Any Other Business formally requested in advance from committee member, relevant officers, internal and external audit?	Y			
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y			

Priority	Issue	Yes	No	N/A	Comments/Action
2	Does the audit committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented?	Y			Format set for all Council and Committee meetings.
Actions arising					
1	Are minutes prepared and circulated promptly to the appropriate people?	Y			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	Y			Minutes and resolutions of the meeting.
1	Do action points indicate who is to perform what and by when?	Y			Minutes and resolutions of the meeting.

AUDIT COMMITTEE	Part One (D) Agenda Item 18
Date of Meeting: 26th June, 2014	
Reporting Officer: Director of Resources	
<p>Title: Accounts – Committee Update</p> <p>Summary and Conclusions:</p> <p>This report contains an update on the 2013-2014 Accounts and other updates and publications that have occurred since the last committee meeting.</p> <p>Recommendations:</p> <p>Members are recommended to note the update and raise any questions.</p>	

Report

The Statement of Accounts for 2013-2014 will have been drafted by the time we meet. As in previous years, there will be a session for the accounts prior to the September Audit Committee where we will provide Members with the Grant Thornton publication 'A Guide to Local Authority Accounts'. This guide provides the links between the accounting statements and explains their purpose, which will support the accounts session.

In closing the accounts, we have considered the issues raised through discussions with External Audit, colleagues and other technical sources, including:

- Statement review, de-clutter and internal consistency.
- Revaluation programme.
- Provisions.
- Pension accounting changes.
- Accounting for business rates retention.

The update for committee from the External Auditor on this agenda covers a number of topics. I have set out below a brief note in relation to the Council:

- Not to be rubbished – the Council is in the process of reviewing the waste collection costs. The Council is a recipient of funding from the Collection Support Scheme which replaces recycling credits in the short term and reshapes the waste collection processes in the medium to long term. The Council is a waste collection authority; Cumbria County Council is the waste disposal authority.

- Local Government Pension Scheme – the Council is a member of the Cumbria County Council pension fund. A Member representative attends the pension fund meetings on behalf of the Council. Should any information in relation to the pension fund changes be published by Cumbria County Council, it will be presented to Members.
- Blue Badge fraud prosecutions – blue badges are issued and administered by Cumbria County Council. Any suspected fraudulent blue badges are investigated by Cumbria County Council; this Council continues to enforce on-street parking on behalf of the County in relation to contraventions and not the eligibility for blue badges.
- Local partnerships – the Business Improvement Team and senior service managers are developing a business case toolkit, which includes cost benefit analysis. The guidance published in April 2014 will be considered as part of that development.
- Governance Review 2014 – the issues covered by the review are under review by management and have not yet been presented to Members.

Background Papers

Nil.

AUDIT COMMITTEE	Part One (D) Agenda Item 19
Date of Meeting: 26th June, 2014	
Reporting Officer: Corporate Support Manager	
<p>Title: Annual Governance Statement</p> <p>Summary and Conclusions:</p> <p>Provide Members with the draft Annual Governance Statement for 2013/14.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and agree to submit the report and supporting evidence to the External Auditors for their consideration.</p>	

Report

The Council has responsibility for ensuring that Council business is conducted with the law and proper standards, and that public money is safeguarded and properly accounted for. Part of this governance process is the preparation and publication of an Annual Governance Statement which is a self assessment of how effective we consider our governance arrangements to be.

It is a draft document and there are some gaps which will be populated prior to the Final version being presented in September.

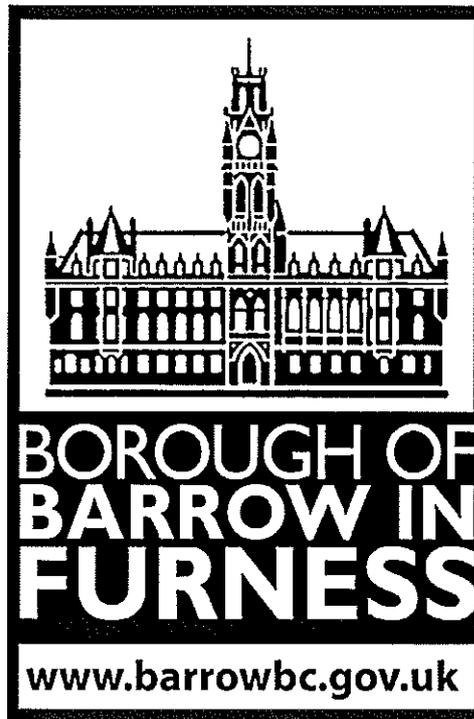
The following members of staff were involved in preparing the Annual Governance Statement for 2013/14.

Executive Director: Head of Paid Services.
 Deputy Executive Director: Monitoring Officer.
 Borough Treasurer: S151 Officer.
 Assistant Director of Community Services
 Assistant Direct of Regeneration and the Built Environment
 Housing Manager
 Internal Audit, Manager.
 Policy Review Officer.
 The governance group

The Annual Governance Statement is attached as **Appendix 19**
 The supporting principles are attached as **Appendix 20**.

Background Papers

Nil



Draft Annual Governance Statement 2013- 2014

Author: Policy Review Officer
Date published:
Review date:

Endorsed by Audit Committee

Corporate Directorate
Town Hall
Duke Street
Barrow-in-Furness
Cumbria
LA14 2LD
directorsadmin@barrowbc.gov.uk

Annual Governance Statement – 2013-2014

A. Scope and Responsibility

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

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

B. Governance

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

C. the Council's Governance Framework

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

The Council's governance framework comprises the systems and processes, and the culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

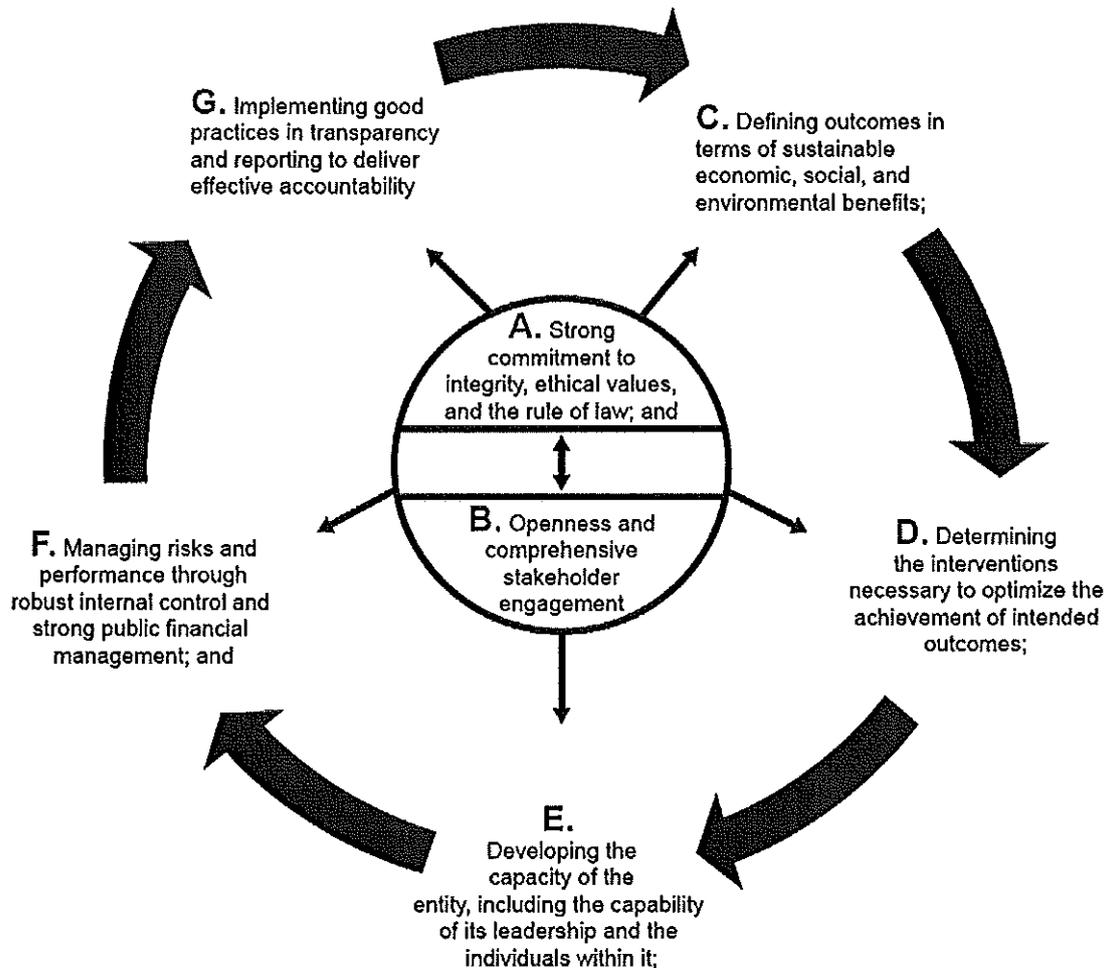
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Barrow Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

CIPFA has developed a framework for good governance in the public sector, based on the 2005 *Good Governance Standard for Public Services*, produced in the UK by the Independent Commission on Good Governance in Public Services. The framework comprises of seven principles of good governance.

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

- A. Strong commitment to integrity, ethical values, and the rule of law.
- B. Openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of intended outcomes.
- E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency and reporting to deliver effective accountability.

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



D. Review of Effectiveness

Barrow Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A management group consisting of the following Officers were involved in compiling this Annual Governance Statement which reviews the effectiveness of our governance framework:

- Executive Director Head of Paid Services
- Deputy Executive Director - Monitoring Officer
- ~~Director of Resources~~ Borough Treasurer - S151 Officer
- Assistant Director - Community Services
- Assistant Director - Regeneration and the Built Environment
- ~~Assistant Director~~ Housing Manager
- Democratic Services Manager

- Internal Audit Manager
- ~~Corporate Support Manager~~ Policy Review Officer

In compiling the Annual Governance Statement the group considered recommendations from the Internal Audit annual report and the Audit Commission's Annual Governance Report.

E. Self Assessment

The Council has assessed itself against the principles of good governance that are defined in the Local Code of Corporate Governance.

In order to demonstrate that the existing arrangements are fit for purpose and are complied with when carrying out the responsibilities and functions of the Council, a self assessment process has been undertaken and this is supported by an assurance statement completed by the members of the Management Board.

In addition the Council has established a governance group who has collected assurance information using questionnaires which were completed by departmental managers.

Analysis of this information indicated that there were not any significant assurance issues but that there was scope for some improvement and an action plan will be developed to address this.

Based on the self assessment the Council considers its governance arrangements to be of a satisfactory standard.

To support the self assessment we reviewed the source documents recommended in the CIPFA guidance schedule and identified additional evidence to demonstrate compliance with the suggested supporting principals of good governance.

The Council's governance arrangements conform to the CIPFA 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.

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

The Council is responsible for using national resources collected through taxation to provide services for our citizens. We are accountable not only for how much we spend but also for the way we use the resources with which we have been entrusted. In addition, we have an overarching mission to serve the public interest, in adhering to the requirements of legislation and government policies.

Ethical values and standards are defined in the Council's Constitution and should form the basis for all our policies, procedures and actions as well as the behaviour of our Members and staff.

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

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

1. The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.
2. We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution
3. We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.
4. We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture.
5. We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.
6. We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.
7. We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate.
8. Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.
9. Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.
10. We have put in place effective systems to protect the rights of staff. Ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.
11. We have established a governance group with the remit of collecting assurance information across all departments.
12. We will publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in

place.

B: Openness and comprehensive stakeholder engagement

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

1. We will ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.
2. We will maintain culture of accountability so that Members and Officers understand to whom they are accountable and for what.
3. We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.
4. In 2014 we will put in place arrangements to enable the Council to engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.
5. We will publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements.
6. We will deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.
7. We will ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.

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

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

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

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

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

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

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

8. We will align financial and performance data to provide an overall understanding of performance.

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

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

1. Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.
2. We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.
3. We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.
4. We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.
5. We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.
6. We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.
7. We will ensure that effective management arrangements are in place at the top of the organisation.
8. The Executive Director is responsible and accountable to the Council for all aspects of operational management.
9. The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.
10. The Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
11. We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council
12. The Monitoring Officer responsible to the Council for ensuring that the constitution is adhered to.
13. We will assess the skills required by Members including understanding

of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.

14. We will assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.
15. We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
16. We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.
17. We will review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.
18. We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.

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

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

1. We will maintain an effective Audit Committee which is independent of the executive and scrutiny functions.
2. We will enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.
3. We will ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.
4. We will ensure our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports.
5. We will ensure effective internal control arrangements exist for sound financial management systems and processes.

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

The Council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to

understand and respond as the Council plans and carries out its activities in an open manner.

1. We comply with the local government transparency code and publish all required information in a timely manner.
2. We have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.
3. We have put in place effective transparent and accessible arrangements for dealing with complaints.
4. We will maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;
5. We will maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.
6. We will ensure an effective internal audit function is resourced and maintained.
7. We will maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
8. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.
9. We will put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.
10. We will produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.
11. We will maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.

F. Internal Audit opinion

An important part of the governance arrangements is the maintenance of an Internal Audit function, which operates in accordance with Code of Practice for Internal Audit in Local Government. The effectiveness of the Internal Audit function is examined on an annual basis. The Internal Audit function examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. The work is delivered through a risk-based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which is approved by the Audit Committee.

The effectiveness of the Internal Audit function is subject to review through the Council's Audit Committee; in addition the Council's External Auditor will place reliance wherever possible on the work carried out by Internal Audit.

The opinion of Internal Audit Manager has been extracted from the Internal Audit Annual Report

My detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.

Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to senior management and Members. Additional weaknesses identified through the Annual Governance Statement process are recorded separately and reflect the assurance provided from all sources both internal and external.

G. Financial management

The ~~Director of Resources~~ Borough Treasurer is the Officer charged with statutory responsibility for the proper administration of the Council's financial affairs, this statutory role is the Chief Financial Officer. In 2010 CIPFA issued a Statement on the Role of the Chief Financial Officer in Local Government, which sets out five principles that define the core activities and behaviours that belong to the role of the Chief Financial Officer and the governance requirements needed to support them. The Council's financial management arrangements conform to the governance requirements of the Statement.

The Borough Treasurer:

- Leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Ensures that budget calculations are robust and reserves and balances are adequate in accordance with CIPFA guidance and best practice.
- Ensures that the appropriate financial information systems, functions and controls are in place so that finances are kept under review on a regular basis.

The Borough Treasurer has established a Medium Term Financial Plan based on the Council's Budget Strategy in order to meet the challenge of reduced Central Government funding.

H. ~~H.~~ Significant governance and internal control issues

To be add later

I. Action Plan

Action plan for 2013/14

Action	Responsible officer	Due date
Monitor new contracts against contract checklist	Senior Legal Assistant	On-going
Complete outstanding Business Continuity Plan actions	Policy review officer	Q2-Q3 2013 <u>2014/1415</u>

J. Certification Statement

The review of the governance arrangements for the financial year ~~2014~~2013-
2012-2014 has not highlighted any areas of major concern for the Council.
We believe that the existing arrangements are fit for purpose and are
adequate to meet the Council's corporate aims.

Councillor Mrs A Burns
Chairman of the Audit Committee

P Huck
Executive Director

Evidence to support compliance with the seven principles:

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

<p>Demonstrating integrity</p>	<p>We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.</p>	<p>The Council's <u>Constitution</u> part 5 contains codes of conduct for Members and officers.</p>
	<p>We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture.</p>	<p>The Council's <u>Constitution</u> part 3 defines the terms of reference of the Audit Committee</p>
	<p>We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.</p>	<p>The Council's <u>Constitution</u> part 4 sets out the Council's rules of procedure. The Council's <u>local code of governance</u> defines how we manage this. The Council publishes an <u>anti-corruption policy</u> on its website</p>
	<p>We have established a governance group with the remit of collecting assurance information across all departments.</p>	<p>The Council's assurance group meets routinely to review governance arrangements (assurance group minutes)</p>
	<p>We will publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.</p>	<p>The Council's <u>Annual Governance Statement</u> is published on its website.</p>
<p>Strong commitment to</p>	<p>The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of</p>	<p>The Council's <u>Constitution</u> defines the Council's values</p>

ethical values	<p>individuals.</p> <p>We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council.</p> <p>We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.</p> <p>We have put in place effective systems to protect the rights of staff. Ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.</p>	<p>The Council's <u>Constitution</u> defines the Council's values</p> <p>The Council undertakes an annual review of financial regulations and contract standing orders are set out in Part 4 of the <u>Constitution</u></p> <p>The Council has Human resources policies to protect staff.</p> <p>The Council has antifraud arrangements in place and <u>fraud hotline</u></p>
Strong commitment to the rule of law	<p>We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate.</p> <p>Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.</p> <p>Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.</p>	<p>The Council provides a legal service with access to professional advice to support decision making.</p> <p>Officers routinely make use of legal service when carrying out their duties.</p> <p>Assessments of the legal implications for all decisions are presented to the Executive Committee as part the executive reporting template.</p>

B: Openness and comprehensive stakeholder engagement

<p>Openness</p>	<p>We will maintain culture of accountability so that Members and Officers understand to whom they are accountable and for what.</p>	<p>The roles and responsibilities of Members and Officers are clearly defined in articles 2 & 3 of the Council's <u>Constitution</u></p>
<p></p>	<p>We will deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.</p>	<p>The Council operates an effective scrutiny function which submits an <u>annual scrutiny report</u> (item 6) of activities to Full Council.</p>
<p></p>	<p>We will ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.</p>	<p>The Council strive to publish all committee report under part one on the agenda. There may be exemptions under schedule 12 of the Local Government Act 1972.</p>
<p>Engaging individual citizens and service users effectively</p>	<p>In 2014 we will put in place arrangements to enable the Council to engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.</p>	<p></p>
<p></p>	<p>We will publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements.</p>	<p>The Council publishes an <u>Annual Report</u>.</p>
<p></p>	<p>We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.</p>	<p></p>
<p>Engaging comprehensively</p>	<p>We will ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and</p>	<p>The <u>Council's Plan</u> is developed by senior managers who have a good knowledge of the</p>

with institutional stakeholders	other key stakeholders, and that they are clearly articulated and disseminated.	priorities of other stakeholders and is agreed by the Executive Committee item 11.
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C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Defining outcomes	<p>We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.</p> <p>We will publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.</p> <p>We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.</p>	<p>The purpose of the Council is clearly defined in the <u>Constitution</u></p> <p>The <u>Council's Plan</u> is developed by senior managers and identifies the Council's service priorities.</p> <p>The Council publishes an <u>Annual Report</u> that communicates the Council's activities, achievements and financial position</p> <p>Assessments of financial and non-financial information for all decisions are presented to the Executive as part the executive reporting template. <u>Example Executive Report</u></p>
Sustainable economic, social and environmental benefits	<p>We will identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services.</p> <p>We maintain a prudential financial framework, balance commitments with available resources; and monitor income</p>	<p>The Council has a limited number of performance indicators which are currently reported to the <u>Overview and Scrutiny committee</u> (item 9). We are developing a suite of meaningful indicators to reflect its priorities.</p> <p>The Council's prudential framework is defined in the Budget Strategy. Budgetary control is</p>

	and expenditure levels to ensure this balance is achieved.	strictly observed and monitoring reports are presented to Management Board and the Executive Committee on a quarterly basis. <u>Corporate Financial Monitoring</u>
	We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.	Prudential indicators agreed with Members prior to each financial year and monitored as part of the Council's quarterly <u>Corporate Financial Monitoring</u> process

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

Robust decision making mechanism	We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.	The purpose of the Council is clearly defined in the <u>Constitution</u> The <u>Council's Plan</u> is developed by senior managers and identifies the Council's service priorities.
Planning interventions	We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.	The Council has prepared a <u>risk management policy</u> and a <u>risk register</u> which is updated by Management Board and presented to Audit Committee on a quarterly basis
	We will ensure that there are effective arrangements in place to monitor service delivery.	The Council monitors service delivery through its CRM system and point of use monitoring.
	We will put in place effective arrangements to deal with a	The Council has effective arrangements for

	failure in service delivery and explore options for improving service delivery and outcomes for our residents.	monitoring service failure through its <u>CRM system</u> and <u>complaints procedure</u> .
Optimising achievement of intended outcomes	We ensure that budget calculations are robust and reserves are adequate.	<p>The Chief Finance Officer ensures that the budget estimates are robust and based on reasonable assumptions.</p> <p>The reserves and balances are reviewed at budget time and when closing the accounts.</p> <p>The CFO issues an assurance at these times in line with CIPFA recommended practice.</p> <p>All financial systems function in a controlled environment and are subject to regular Internal Audit review.</p>
	We will align financial and performance data to provide an overall understanding of performance.	The <u>Council's Plan</u> aligns financial and performance information
	We have prepared contingency arrangements and are currently developing disaster recovery, business continuity plan and arrangements for delivering services during adverse weather conditions.	
	We will provide senior managers and Members with timely financial and performance information.	The Executive Committee and Management board are presented with financial information as part of the Council's quarterly <u>Corporate Financial Monitoring process</u> . Performance information is present to Scrutiny Committee

	and Management Board on a quarterly basis.
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E: Developing the capacity of the Council including the capacity of its leadership and the individuals within it.

Developing the capacity of the entity	<p>We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.</p> <p>We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.</p>	<p>The scheme of delegated and reserved powers defined in Part 3 of the <u>Constitution</u></p> <p>The skills required to undertake a role are identified in job specifications.</p> <p>Skill gaps and development opportunities are identified through the appraisal process.</p> <p>All staff have access to training and development pages on the Intranet.</p>
	<p>We will review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.</p> <p>We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.</p>	<p>The scope of the CFO's roles is reviewed as part of the appraisal process</p> <p>The recent restructure provides the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.</p>
Developing the entity's leadership	<p>Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.</p> <p>We have set out a clear statement of the respective roles</p>	<p>The roles and responsibilities of the Executive Committee are clearly defined in Part 3 of the Council's <u>Constitution</u></p> <p>The roles and responsibilities of other</p>

	<p>and responsibilities of the Council's other committees and senior officers.</p> <p>We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.</p> <p>We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.</p> <p>We will ensure that effective management arrangements are in place at the top of the organisation.</p> <p>The Executive Director is responsible and accountable to the Council for all aspects of operational management.</p> <p>The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.</p> <p>The Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</p>	<p>Committee are clearly defined in Part 3 of the Council's <u>Constitution</u></p> <p>Protocols to ensure effective communication are clearly defined in Part 5 of the Council's <u>Constitution</u></p> <p>Protocols to ensure effective communication are clearly defined in Part 4&5 of the Council's <u>Constitution</u></p> <p>Management arrangements are clearly defined in Part 3 of the Council's <u>Constitution</u></p> <p>The Executive Directors responsibilities and accountability are clearly defined in Part 3 of the Council's <u>Constitution</u></p> <p>The CFO is a member of the Council's Management Board</p> <p>The Borough Treasurer has been appointed as Section 151 officer.</p> <p>Statutory provision is set out in the financial regulations in part 4 of the <u>constitution</u>.</p> <p>The Council produces annual statutory reports including a statement of accounts, budget setting report council tax setting report and a</p>
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	<p>We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council</p> <p>The Monitoring Officer responsible to the Council for ensuring that the constitution is adhered to.</p>	<p>treasury policy.</p> <p>The Council has a CIPFA qualified and experienced chief financial officer.</p> <p>The Council has appointed a Monitoring Officer to ensure adherence the Constitution</p>
<p>Developing the capability of individuals within the entity</p>	<p>We will assess the skills required by Members including understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.</p> <p>We will assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.</p> <p>We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is</p>	<p>The Council has a development strategy for Members. All Members have a Personal Development Plan supported by a learning programme.</p> <p>The Council has induction programmes for Members</p> <p>The skills required to undertake a role are identified in job specifications.</p> <p>Skill gaps and development opportunities are identified through the appraisal process.</p> <p>The Council continues to develop skills through its training programme and provides specialist</p>

	<p>needed.</p> <p>We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.</p>	<p>expertise if required</p> <p>Officers pay and conditions are set out in line with the NJC green book.</p> <p>Chief Officers pay and conditions are set out in line with the NJC purple book.</p> <p>The members allowance scheme is defined in part 6 of the <u>constitution</u>.</p> <p>The Council has appropriate pay and conditions policies in place.</p>
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F: Managing risks and performance through robust internal control and strong public financial management.

<p>Managing risk</p>	<p>We will ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.</p>	<p>The Council has prepared a <u>risk management policy</u> and a <u>risk register</u> which is updated by Management Board and presented to Audit Committee on a quarterly basis</p>
<p>Managing performance</p>	<p>We will maintain an effective Audit Committee which is independent of the executive and scrutiny functions.</p> <p>We will enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.</p>	<p>The Council has an effective <u>Audit Committee</u> and an <u>Overview and Scrutiny committee</u></p> <p>The CFO is a director of the Council and is a member of the Council's Management Board</p>

Robust internal control	We will ensure our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports.	
	We will ensure effective internal control arrangements exist for sound financial management systems and processes.	<p>The Chief Financial Officer manages the Council's finances within the Financial Regulation framework that is set out in the <u>constitution</u></p> <p>The council adopts professional accounting standards on reporting. We comply with legislation and statutory requirements relating to financial matters.</p>

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

Implementing good practices in	We have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual	The <u>medium Term Financial Plan</u> is a financial representation of the Council's vision and
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transparency	<p>budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.</p> <p>We have put in place effective transparent and accessible arrangements for dealing with complaints.</p> <p>We will maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;</p> <p>We will maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.</p> <p>We will ensure an effective internal audit function is resourced and maintained.</p> <p>We will maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.</p> <p>We will put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.</p>	<p>supports its' Council's Priorities.</p> <p>The Council has effective arrangements for dealing with complaints through its <u>complaints procedure</u>.</p> <p>The Council has an effective <u>Overview and Scrutiny committee</u></p> <p>The Council has an effective <u>Audit Committee</u></p> <p>The Council has effective Internal Audit arrangements</p> <p>The Council has effective decision making arrangements through the <u>Executive Committee</u></p> <p>The Council has effective whistle blowing arrangements through the <u>fraud hotline</u></p>
Implementing good practices in transparency reporting	<p>We comply with the local government transparency code and publish all required information in a timely manner.</p> <p>We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.</p>	<p>This Council complies with the Local Government <u>Transparency code</u></p> <p>The Council strive to publish all committee report under part one on the agenda. There may be exemptions under schedule 12 of the</p>

	<p>We will produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.</p> <p>We will maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.</p>	<p>Local Government Act 1972.</p> <p>Budget holders have access to a member of the accounts department and financial information is available on-line</p> <p>Officers pay and conditions are set out in line with the NJC green book.</p> <p>Chief Officers pay and conditions are set out in line with the NJC purple book.</p> <p><u>Pay Policy</u></p>
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AUDIT COMMITTEE	<u>Part One</u> (D) Agenda Item 20
Date of Meeting: 26th June, 2014	
Reporting Officer: Corporate Support Manager	
<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 2014/15 is attached as **Appendix 21** it continues to focus on those business critical risks which are under the control of the Council.

The Risk Register (**Appendix 21**) was reviewed by Management Board at their meeting in June 2014 and the following changes were agreed:

A risk relating to IT security has been added to the register to protect the Council's access to the Public Sector Network.

Risk 10 relating to the Council's capacity to undertake statutory inspections: The mitigated risk has been reduced from 9 to 6 because we now have an officer in place.

Operational Risks

Management has agreed a number of operational risks and these are presented in **Appendix 22**. The operational risks will be used to inform the development of the Council's business continuity plan.

Background Papers

Nil.

Risk Register June 2014

Risk category: Corporate financial risks

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.	Assistant Director - Housing	5	4	20

2	Future financial stability and sustainability of the Council.	5	5	25	<p>Without sufficient funding plans discretionary services may be at risk of reduction or closure.</p> <p>Statutory services may be delivered with reduced service levels.</p> <p>Staff redundancies may not be avoidable.</p> <p>Funding to external bodies may be reduced.</p> <p>The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans.</p> <p>The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.</p>	<p>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.</p> <p>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.</p> <p>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.</p> <p>The Council will produce a longer term financial plan in 2013-2014.</p> <p>The impact of restructuring is closely monitored by Management Board, including recruitment and resourcing challenges in statutory services. The Council has a Workforce Strategy.</p> <p>The Council continues to bid for funding of all kinds when it becomes available and although this is not sustainable funding, it does support the delivery of the Councils Key Priorities.</p>	Executive Director and Director of Resources	4	4	16
	Impact of staff regrading	4	4	16	Increase costs from implementation.	Removed December 2013	Director of resources	4	3	12

12	Information Technology security breach	3	5	15	Corrupt systems and loss of data. Withdrawal of Public Sector Network access. System downtime impacting on service delivery.	Up-to-date Information Security Policy. Staff using email and internet sign up to the Policy. Management overview of email and internet usage. Individual virtual servers for discrete business areas. Business continuity plan.	Director of Resources	1	3	3
13	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	Director of Resources	1	2	2

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

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

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

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

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 21
Date of Meeting:	26th June, 2014	
Reporting Officer:	Corporate Support Manager	
<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. There have not been any additions to this list in 2013/14 to date.

The Council's business continuity arrangements have not yet been finalised and it is anticipate that this will be complete in Q3.

Background Papers

Nil

Barrow Borough Council Priority 1 Recommendations 2012/13

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>

Audit Report	Recommendation	Responsible Officer	Current position
RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)	<p>The Council should produce a formally approved and up to date Business Continuity Plan, considering the following potential areas for inclusion:</p> <ul style="list-style-type: none"> • clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures; • approving a formal BCM policy/strategy; • reviewing and documenting the Business Critical Activities (BCAs) for each of its services; • carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA; • including a corporate incident management plan which designates a team to manage an incident, sets out procedures and 	Executive Director	<p>Not Implemented</p> <p>The policy Review officer will prepare a draft Business Continuity Plan based on the operational risks that are identified by Management Board.</p>

Audit Report	Recommendation	Responsible Officer	Current position
	<p>resources to enable services to resume and identifies accommodation/communications for the team and key service staff;</p> <ul style="list-style-type: none"> • formulating individual departmental plans to describe the processes needed to recover from an incident affecting their BCAs; • ensuring that the plans consider the costs, feasibility and practicality of contingency measures; and • regularly testing and reviewing these arrangements. 		

