

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 27th June, 2013
at 2.30 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. Questions on Notice

The Chairman to answer questions on any matter in relation to which the Council has powers or duties which affect the Borough and which fall within the terms of reference of the Audit Committee where due notice has been given in accordance with Council Procedure Rules 10.3 and 10.4.

3. 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.

4. 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.

5. 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.

6. To confirm the Minutes of the meeting held on 7th March, 2013 (copy attached) (Pages 1-10).
7. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 8. External Audit Plan for the Year Ended 31st March, 2013 (Page 11).
- (D) 9. External Audit Update June 2013 (Page 12).
- (D) 10. External Audit Fee Letter 2013-2014 (Page 13).
- (D) 11. Internal Audit Final Reports (Pages 14-15).
- (D) 12. Internal Audit Annual Report 2012-2013 (Page 16).
- (D) 13. Audit Committee Terms of Reference (Pages 17-18).
- (D) 14. Annual Review of Audit Committee Effectiveness (Page 19).
- (D) 15. Annual Review of Internal Audit 2012-2013 (Page 20-22).
- (D) 16. 2012-2013 Statement of Accounts Update (Page 23).
- (D) 17. Going Concern (Page 24-26).
- (D) 18. Risk Management (Page 27).
- (D) 19. Annual Governance Statement (Page 28).
- (D) 20. Monitoring Priority 1 Recommendations (Page 29).

**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 7th March, 2013
at 2.00 p.m.

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

Also present were Mr Ian Boit and Mr Neil Krajewski from Grant Thornton.

40 – Minutes

The Minutes of the meeting held on 13th December, 2012 were taken as read and confirmed.

41 – Annual Governance Statement

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

The group had reviewed similar processes at other Councils and had used this information to develop an Annual Assurance Statement in the form of a questionnaire.

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

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

A copy of the assurance statement was attached for Members' information.

RESOLVED:- That the report be noted.

42 – Monitoring Priority 1 Recommendations

The Policy Review Officer reported that Internal Audit undertook reviews of Council systems as defined in the annual audit plan. The audit conclusion may include Priority 1 recommendations which related to major issues that needed to be brought to the attention of senior management. Senior managers

considered the recommendations and determined whether to accept or reject them. If the recommendation was accepted the manager was agreeing to implement the recommendation.

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

The business continuity arrangements were discussed by Management Board in October and it was agreed that the Council would identify key operational risks and use this information to inform the Business Continuity Plan. It was anticipated that the Business Continuity Plan would be developed in Quarter 1 of 2013/14.

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

Members of the Audit Committee suggested that the wording on the risk plan with regards to contracts may need to be strengthened and this should be assessed.

RESOLVED:- That the report be agreed.

43 – Risk Management

The Policy Review Officer submitted a report and attached the Risk Register for 2012/13 to his report. It continued to focus on those business critical risks which were under the control of the Council.

The Risk Register was reviewed by Management Board at their meeting in January 2013 and the following changes were agreed:-

- The former risk regarding the impact of redundancies on service delivery and staff had been subsumed into Risk 3: Impact of spending review on service delivery. The rationale for this change was that redundant posts had been removed and the Council was aware of the impact that it had had. As a result the score for the mitigated impact had been increased to reflect the short-term impact on capacity to deliver some services. The Council was continuing to monitor business critical posts and would recruit staff as necessary.
- Risk 4: Impact of changes to benefit system on income for the housing department. To mitigate this impact a new post had been created to assist with income recovery. The mitigating action had been changed to reflect this new post but the risk scores remained the same.

- The former risk regarding changes to the Local Council Tax reduction scheme had been removed. The Council had agreed to absorb the reduction in the grant and this was reflected in the budget.
- Risk 7: The reduction in recycling reward scheme had been replaced because the Council's bid for Weekly Collection Support Scheme funding was successful. A new risk, failure to reduce the cost of the cleansing contract had been identified to mitigate the longer term impact of the reduction in the recycling reward grant.
- The likelihood score for Risk 13: Level of sickness worsens had increased because of the adverse trend in the level of sickness.

The updated Risk Register was attached as an Appendix to his report.

Operational Risks

Management had agreed a number of operational risks and these were presented in an Appendix to his report. The operational risks would be used to inform the development of the Council's Business Continuity Plan.

Referring to the sickness levels the Audit Committee sought assurance that all was being done to reduce sickness levels and requested that the Policy Review Officer raise this verbally at the Overview and Scrutiny Committee.

The Audit Committee were also concerned with regards to Risk 8: Failure to commission contractors to deliver and requested that the Policy Review Officer consider raising this with Management Board in the next six months or so.

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

(ii) That the Policy Review Officer raise the Audit Committees concerns at the Overview and Scrutiny Committee with regards to sickness levels.

44 – Code of Corporate Governance

The Policy Review Officer attached as an appendix to his report the Code of Corporate Governance for 2013. He stated that there had not been any significant changes to the Code since 2012.

RESOLVED:- That Members endorse the updated Code of Corporate Governance and agree that it can be published on the Council's website.

45 – Certification Work Report 2011-2012

The Borough Treasurer attached as an appendix to her report the Certification Work report 2011-2012 and was presented by Ian Boit, the External Auditor.

The External Auditors had certified four claims and returns for the financial year 2011-12 with an overall value of £49.9 million.

All of the claims were submitted on time to audit and all claims were certified within the required deadline. The 2011-12 Housing Benefit and Council Tax Benefit Subsidy Claim was once again qualified. The Council needed to improve its quality assurance arrangements working with Liberata as a service provider to reduce the level of errors made in benefit payments.

Supporting working papers for the claims and returns were good and which enabled certification within the set deadlines. Internal Audit carried out Housing Benefit and Council Tax Benefit testing on which the External Auditors placed reliance and therefore kept its certification fees as low as possible.

The External Auditors had made one other overarching recommendation to further improve the quality control arrangements and processing of the Housing Benefit and Council Tax Benefits claims as outlined in an appendix to their report. The implementation of this agreed recommendation would assist the Council in compiling accurate and timely Housing Benefit and Council Tax Benefit claims for certification. This would reduce the risk of penalties for late submission, potential repayment of grant and additional certification fees.

The Audit Committee sought assurance that Liberata were training their staff properly. The Borough Treasurer reported that all employees received a twelve week training programme before they were allowed to work in the offices. The Borough Treasurer would provide Members of the Committee with a copy of this documentation.

RESOLVED:- (i) To receive the Certification Work report for 2011-2012; and
(ii) To approve the Action Plan contained in the report.

46 – Audit Committee Update

The Borough Treasurer submitted an Audit Committee Update report which had been produced by the External Auditor. Neil Krajewski, the External Auditor presented the report to Members.

The paper provided the Audit Committee with the progress in delivering their responsibilities as the Council's External Auditors. The paper also included:-

- A summary of emerging national issues and developments that may be relevant to the Council; and
- Included a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

A table of progress as at 21st February, 2013 was as follows:-

Work	Planned 21 Feb 2013	Complete?	Comments
<p>2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	31 March 2013	No	Work on-going
<p>Interim accounts audit Our interim fieldwork visit will include the following: <ul style="list-style-type: none"> •review of the Council's control environment •understanding of financial systems •review of Internal Audit reports on core financial systems •early work on emerging accounting issues •early substantive testing. </p>	January 2013 to March 2013	No	Work on-going
<p>2012-13 final accounts audit Including: <ul style="list-style-type: none"> •audit of the 2012-13 financial statements •proposed opinion on the Council's accounts. </p>	July 2013 to September 2013	No	Not yet due to start.
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2012/13 VfM conclusion will focus on the two specified areas of the Council's arrangements: <ul style="list-style-type: none"> -Financial resilience; and -Challenging how it secures economy, efficiency and effectiveness. We will follow-up areas of concern from previous VfM assessments including progress on strengthening contract administration. </p>	Initial risk assessment in January 2013 with the detailed assessment in April 2011. This will be revisited and updated up to the date of our opinion on the 2012/13 Statement of Accounts.	No	Work on-going. A separate report on financial resilience will be prepared.

Other areas of work			
<p>2011/12 Housing Benefits Claim: Following our qualification of the claim the Department of Works and Pensions has asked the Council to provide further information in support of the Claim. We have also been asked to review the information provided and the conclusions reached.</p>	<p>Deadline is 28 February 2013</p>	<p>No</p>	<p>We have been working with officers, and liaising with Internal Audit, to progress this matter</p>

The report further detailed emerging issues and developments to which Members asked the External Auditors questions.

RESOLVED:- That the update be received.

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 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. Financial Information Systems – Unqualified Assurance;
2. Council Tax – Substantial Assurance;
3. National Non Domestic Rates – Substantial Assurance;
4. Payables – Substantial Assurance; and
5. Receivables- Substantial Assurance.

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

The Committee asked whether the Council had a Code of Conduct for Bailiffs and whether it was being adhered to. The Policy Review Officer would provide a copy for Members.

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, 2012 to 28th February, 2013 had been produced by the Head of Internal Audit. The Head of Internal Audit attended the meeting to present the report to Members.

The following table summarised the number of audit recommendations which had been made in the final reports issued up to 28th February, 2013; analysed by their priority, including whether accepted by Management.

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

All twenty seven recommendations had been fully accepted.

Members made particular reference to Heating Improvements and the specifications in the contract with regards to lagging. Members questioned whether the Council was entitled to participate in various Government schemes. The Head of Internal Audit stated that he would report back to Members with regards to the specifications of the heating contract.

RESOLVED:- That the report be received.

49 – Internal Audit Annual Plan 2013-2014

The Borough Treasurer reported that the Internal Audit Annual Plan for 2013-2014 had been produced by the Head of Internal Audit. The Head of Internal Audit attended the meeting to present the report to Members.

Throughout this year Members had raised particular concern with regards to contracts. The Borough Treasurer informed the Committee that 80 days of Internal Audit work had been incorporated into the Annual Plan for 2013-14.

RESOLVED:- That the Internal Audit Annual Plan for 2013-14 be agreed.

50 – Anti-Fraud Policies

The Borough Treasurer reported that the Anti-Fraud and Corruption Policy set 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 of these policies had been reviewed and there were no amendments to be made at this time.

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

RESOLVED:- That the review be noted.

51 – Update on 2012-2013 Accounts Closedown

The Borough Treasurer reported that the end of the Council's financial year was 31st March. As in previous years a timetable had been drawn up for the accounts closedown. The timetable allowed management to oversee the process and intervene where and when necessary. The timetable was monitored and used for planning the next year's accounts closedown.

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

The Code of Practice on Local Authority Accounting in the United Kingdom 2012-2013 set out the accounting requirements and proper practices for preparing the Statement of Accounts. The main changes for 2012-2013 which affected the Council were:

- Housing Revenue Account – the first year of the self-financing regime. There are transitional arrangements applying for a five year period which permit the reduction of the impact of depreciation on the bottom line for the HRA. The Council will adopt the transitional arrangements.
- Conceptual Framework – the International Accounting Standards Board is currently updating this and has issued the first phase. The framework sets out the concepts that underline the preparation and presentation of financial statements in order to simplify them for external users of the accounts.
- Management Commentary – the explanatory foreword to the Statement of Accounts will take into account the relevant provisions of the Government's Financial Reporting Manual.

- Other changes in the code for 2012-2013 include:
 - Financial instruments
 - Exit packages
 - Non-current assets

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

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

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

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

RESOLVED:- That the report be noted.

52 – Audit Committee Work Plan

The Borough Treasurer set out the Audit Committee Work Plan which would be the basis for the agenda of the meetings throughout 2013-2014.

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

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

The Audit Committee Work Plan was presented with the Borough Treasurer's report.

RESOLVED:- That Members agree the Work Plan for 2013-14.

REFERRED ITEM

THE FOLLOWING MATTER IS REFERRED TO COUNCIL FOR DECISION

53 – Financial Regulations and Contract Standing Orders

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 of these had been reviewed and there were no amendments to be made to the Contract Standing Order at this time and one amendment was required to the Financial Regulations.

Financial Regulations, Section 21 needed to be updated for External Audit, and was attached as an Appendix to the Borough Treasurer's report

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

RECOMMENDED:- To recommend the Council to approve the amendment to Section 21 of the Financial Regulations and note the review.

The meeting closed at 2.45 p.m.

		Part One
AUDIT COMMITTEE		(D) Agenda Item 8
Date of Meeting:	27th June, 2013	
Reporting Officer:	Borough Treasurer	
<p>Title: External Audit Plan for the Year Ended 31st March, 2013</p> <p>Summary and Conclusions:</p> <p>The Audit Plan for the year ended 31st March, 2013 has been received from the External Auditor. The plan 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, 2013.</p>		

Report

The External Audit Plan for the year ended 31st March, 2013 is attached at **Appendix 1**. The External Auditor will present the report to Members.

Background Papers

Nil



The Audit Plan for Barrow Borough Council

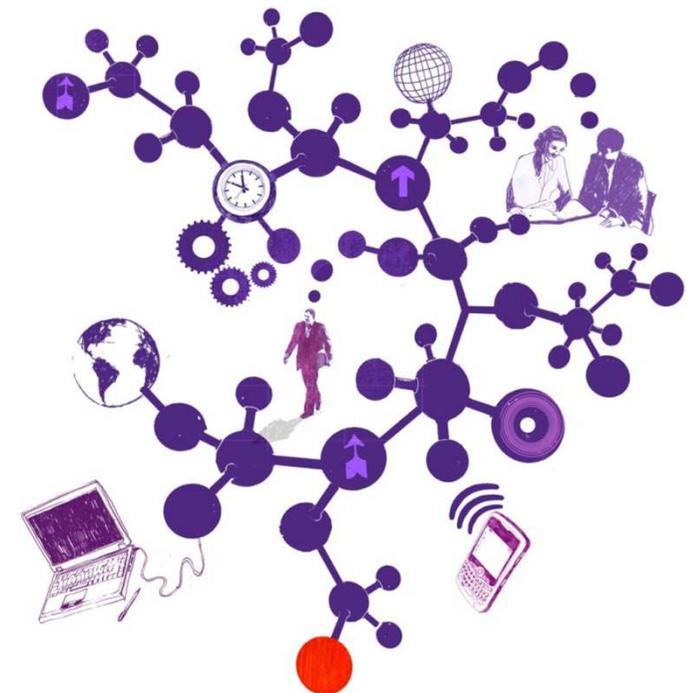
Year ended 31 March 2013

June 2013

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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.

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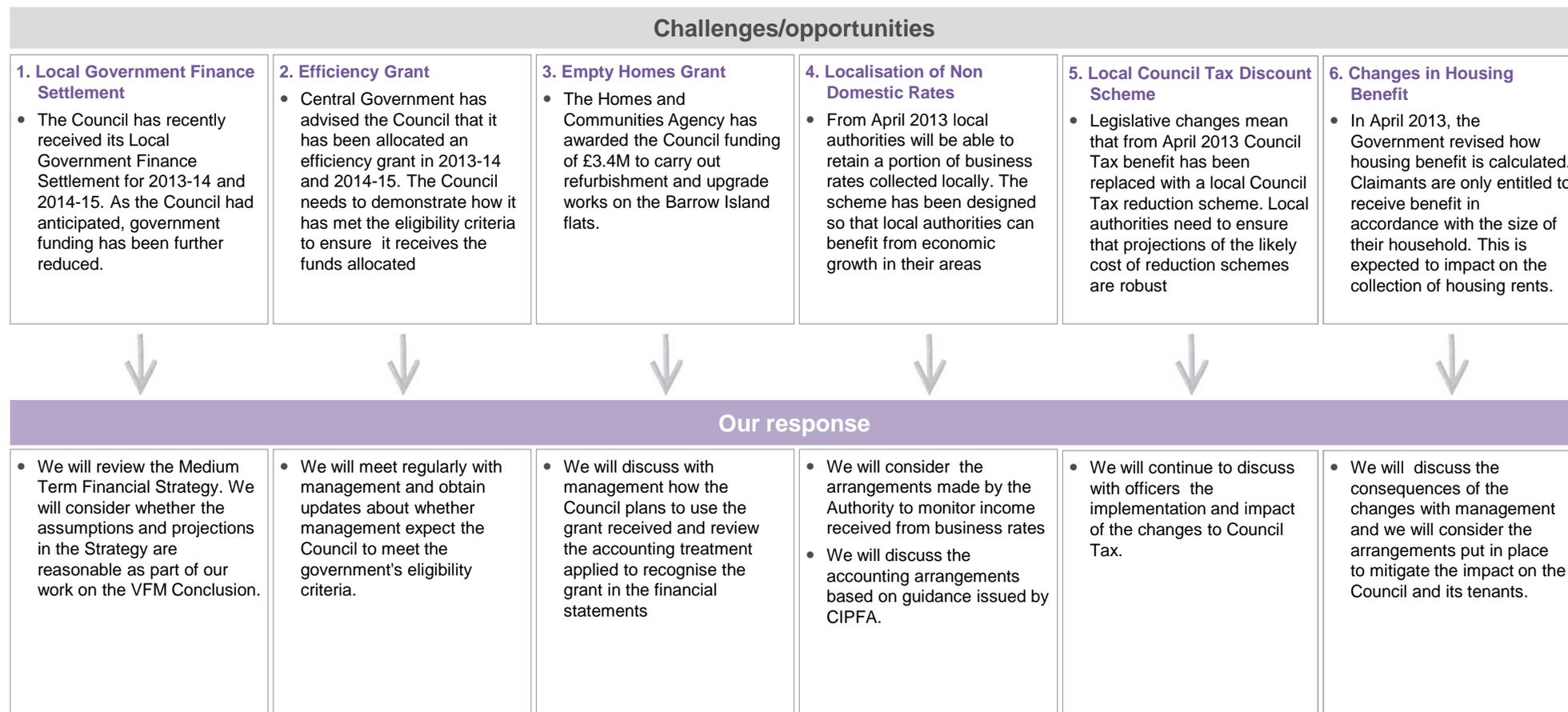
1. Understanding your business
2. Developments relevant to your business and the audit
3. Our audit approach
4. An audit focused on risks
5. Significant risks identified
6. Other risks
7. Group scope and risk assessment
8. Results of interim work
9. Value for Money
10. Logistics and our team
11. Fees and independence
12. Communication of audit matters with those charged with governance

Appendices

- A. Action plan

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.



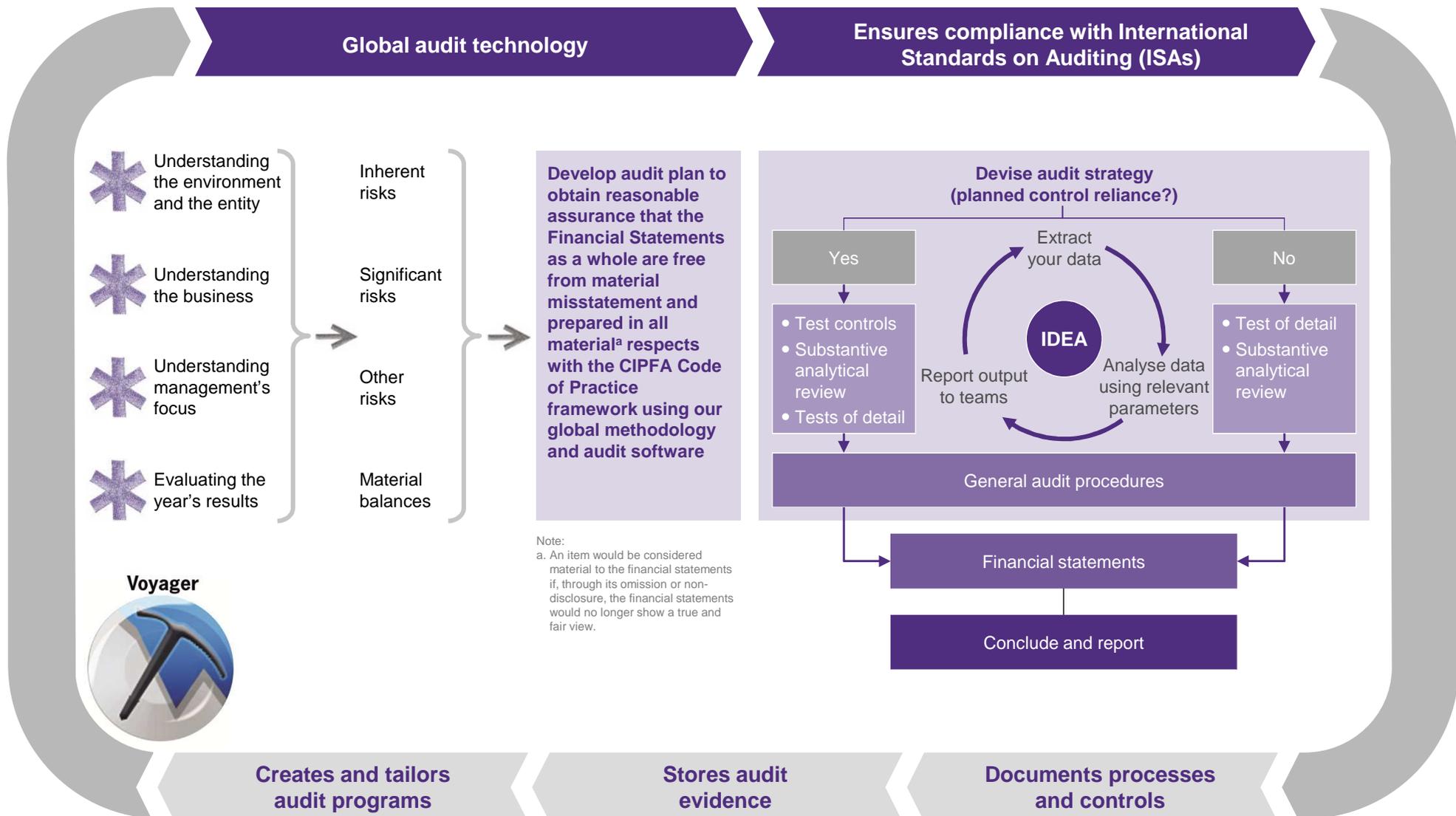
Developments relevant to your business and the audit

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 and associated guidance.

Developments and other requirements					
<p>1. Financial reporting</p> <ul style="list-style-type: none"> • Changes to the CIPFA Code of Practice • Transfer of assets to Academies • Recognition of grant conditions and income • Self financing Housing Revenue Account 	<p>2. Legislation</p> <ul style="list-style-type: none"> • Local Government Finance settlement 2012/13 • Welfare reform Act 2012 	<p>3. Corporate governance</p> <ul style="list-style-type: none"> • Annual Governance Statement (AGS) • Explanatory foreword 	<p>4. Pensions</p> <ul style="list-style-type: none"> • Planning for the impact of 2013/14 changes to the Local Government pension Scheme (LGPS) 	<p>5. Financial Pressures</p> <ul style="list-style-type: none"> • Managing service provision with less resource • Progress against savings plans 	<p>6. Other requirements</p> <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					
<p>We will ensure that</p> <ul style="list-style-type: none"> • the Council complies with the requirements of the CIPFA Code of Practice through our substantive testing • schools are accounted for correctly and in line with the latest guidance • grant income is recognised in line with the correct accounting standard 	<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 discuss how the Council is planning to deal 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 2012/13 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

Our audit approach



An audit focused on risks

We undertake a risk based audit whereby we focus audit effort on those areas where we have identified a risk of material misstatement in the accounts. The table below shows how our audit approach focuses on the risks we have identified through our planning and review of the national risks affecting the sector. Definitions of the level of risk and associated work are given below:

Significant – Significant risks are typically non-routine transactions, areas of material judgement or those areas where there is a high underlying (inherent) risk of misstatement. We will undertake an assessment of controls (if applicable) around the risks and carry out detailed substantive testing.

Other – Other risks of material misstatement are typically those transaction cycles and balances where there are high values, large numbers of transactions and risks arising from, for example, system changes and issues identified from previous years audits. We will assess controls and undertake substantive testing, the level of which will be reduced where we can rely on controls.

None – Our risk assessment has not identified a risk of misstatement. We will undertake substantive testing of material balances. Where an item in the accounts is not material we do not carry out detailed substantive testing.

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Cost of services - operating expenses	Yes	Operating expenses	Medium	Other	Operating expenses understated	✓
Cost of services – employee remuneration	Yes	Employee remuneration	Medium	Other	Remuneration expenses not correct	✓
Costs of services – Housing & council tax benefit	Yes	Welfare expenditure	Medium	Other	Welfare benefits improperly computed	✓
Cost of services – Housing revenue	Yes	Housing Revenues	Medium	Other	Housing revenue transactions not recorded	✓
Cost of services – other revenues (fees & charges)	Yes	Other revenues	Low	None		✓
(Gains)/ Loss on disposal of non current assets	Yes	Property, Plant and Equipment	Low	None		✓
Payments to Housing Capital Receipts Pool	No	Property, Plant & Equipment	Low	None		×
Precepts and Levies	No	Council Tax	Low	None		×

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Interest payable and similar charges	Yes	Borrowings	Low	None		✓
Pension Interest cost	Yes	Employee remuneration	Low	None		✓
Interest & investment income	No	Investments	Low	None		×
Return on Pension assets	Yes	Employee remuneration	Low	None		✓
Investment properties: Income expenditure, valuation, changes & gain on disposal	No	Property, Plant & Equipment	Low	None		×
Income from council tax	Yes	Council Tax	Low	None		✓
NNDR Distribution	Yes	NNDR	Low	None		✓
Revenue support grant & other Government grants	Yes	Grant Income	Low	None		✓
Capital grants & Contributions (including those received in advance)	Yes	Property, Plant & Equipment	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
(Surplus)/ Deficit on revaluation of non current assets	Yes	Property, Plant & Equipment	Low	None		✓
Actuarial (gains)/ Losses on pension fund assets & liabilities	Yes	Employee remuneration	Low	None		✓
Other comprehensive (gains)/ Losses	No	Revenue/ Operating expenses	Low	None		×
Heritage assets & Investment property	Yes	Property, Plant & Equipment	Low	None		✓
Intangible assets	No	Intangible assets	Low	None		×
Investments (long & short term)	No	Investments	Low	None		×
Debtors (long & short term)	Yes	Revenue	Low	None		✓
Assets held for sale	No	Property, Plant & Equipment	Low	None		×
Inventories	No	Inventories	Low	None		×
Cash & cash Equivalents	Yes	Bank & Cash	Low	None		✓

An audit focused on risks (continued)

Account	Material (or potentially material) balance?	Transaction Cycle	Inherent risk	Material misstatement risk?	Description of Risk	Substantive testing?
Borrowing (long & short term)	Yes	Debt	Low	None		✓
Creditors (long & Short term)	Yes	Operating Expenses	Medium	Other	Creditors understated or not recorded in the correct period	✓
Provisions (long & short term)	Yes	Provision	Low	None		✓
Pension liability	Yes	Employee remuneration	Low	None		✓
Reserves	Yes	Equity	Low	None		✓

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 • Performance of attribute testing on material revenue streams
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 planned:</p> <ul style="list-style-type: none"> • Review of accounting estimates, judgments and decisions made by management • Testing of journal entries • Review of unusual significant transactions

Other risks

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).

Other reasonably possible risks	Description	Work completed to date	Further work planned
Operating expenses	Operating expenses understated	<ul style="list-style-type: none"> Accounting system documented and walkthrough testing completed to confirm management have implemented controls within the system. 	<ul style="list-style-type: none"> Substantive testing of expenditure incurred in the 2012-13 financial year Cut-off testing performed on payments made to suppliers in March and April 2013 to confirm transactions accounted for in the correct financial year
Operating expenses	Creditors understated or not recorded in the correct period	<ul style="list-style-type: none"> Accounting system documented and walkthrough testing completed to confirm management have implemented controls within the system. 	<ul style="list-style-type: none"> Substantive testing of significant year-end creditor balances Reconciliation of creditors balance to creditors ledger
Employee remuneration	Remuneration expenses not correct	<ul style="list-style-type: none"> Accounting system documented and walkthrough testing completed to confirm management have implemented controls within the system. 	<ul style="list-style-type: none"> Substantive testing of payments made to employees in the 2012-13 financial year
Welfare Expenditure	Welfare benefits improperly computed	<ul style="list-style-type: none"> Accounting system documented and walkthrough testing completed to confirm management have implemented controls within the system. 	<ul style="list-style-type: none"> Detailed testing of amounts paid to Housing Benefit and Council Tax Benefit claimants Analytical review of Housing and Council Tax Benefit subsidy claim
Housing Revenue Account Revenues	Revenue transactions not recorded.	<ul style="list-style-type: none"> Accounting system documented and walkthrough testing completed to confirm management have implemented controls within the system. 	<ul style="list-style-type: none"> Review of revenue recognition policies Detailed testing of revenue received from Housing Tenants Analytical review to estimate total expected rental revenue

Results of interim audit work

Scope

As part of the interim audit work and in advance of our final accounts audit fieldwork, we have considered:

- the effectiveness of the internal audit function
- internal audit's work on the Council's key financial systems
- walkthrough testing to confirm whether controls are implemented as per our understanding in areas where we have identified a risk of material misstatement
- a review of Information Technology (IT) controls

	Work performed	Conclusion/ Summary
Internal audit	We have reviewed internal audit's overall arrangements. Internal Audit is provided by Furness Audit, an independent provider. We have not identified any concerns about the arrangements and have concluded that the service itself is contributing positively to the internal control environment and overall governance arrangements within the Council. In the interest of audit efficiency, we have placed some reliance on internal audit's work on the accounting systems that Liberata use to process Council Tax, Business Rates and Housing and Council Tax Benefit	Overall, we have concluded that the Internal Audit service continues to provide an independent and satisfactory service to the Council and that we can take assurance from their work in contributing to an effective internal control environment at the Council.
Walkthrough testing	Walkthrough tests were completed in relation to the specific accounts assertion risks which we consider to present a risk of material misstatement to the financial statements.	No significant issues were noted and in-year internal controls were observed to have been implemented in accordance with our documented understanding.

Results of interim audit work (continued)

	Work performed	Conclusion/ Summary
Review of information technology (IT) controls	Our information systems specialist has undertaken a high level review of the general IT control environment, as part of the overall review of the system of internal control.	Our review did not identify any significant control weaknesses. There were a small number of areas where further improvements can be made to ensure best practice and these have been communicated to management.
Journal entry controls	We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.	We will undertake detailed testing of journal entries as part of our post-statement audit procedures.
Use of Service Organisations	<p>The Council uses two service organisations: Selima process payroll transactions on behalf of the Council and Liberata administer Council Tax, NNDR and Housing and Council Tax Benefit claims.</p> <p>Auditing standards require us to review the controls management have put in place to gain assurance over transactions processed by service organisations. We have reviewed the arrangements made by management. These consist of regular performance monitoring meetings with the service organisations and, in the case of Liberata, reliance on work undertaken by Internal Audit. The Council also undertakes detailed quality checks on 10% of daily benefits processing.</p> <p>Historically, the Council has had only limited assurances about the adequacy of the IT control environment at Liberata and Selima.</p>	<p>The Council has designed effective boundary controls to gain assurance over the transactions processed by Selima and Liberata. Walkthrough testing has confirmed that these controls have been implemented.</p> <p>Existing controls could be enhanced by establishing a review of the parameters in Liberata's benefits system at the start of the year. This would provide assurance to management that the correct parameters are being used to process all benefit claims.</p> <p>Any weaknesses in the IT control environment at Selima or Liberata could have a material impact on the Council's ability to make payments to its employees and benefit claimants, as well as affecting its ability to collect Council Tax and Business Rates. Following our interim audit visit, management has discussed with both Selima and Liberata the extent to which they might be able to provide formal third-party assurances about their respective IT control environments. The assurances provided to the Council will be considered as part of our audit.</p> <p>Currently, the Council only receives limited performance information about the collection of Council Tax and Business Rates. The legislative changes set out on page 4 of this plan mean that management will need more detailed information to assure itself about Liberata's performance. Delays in the processing of appeals and requests for discounts could have a significant impact on the Council's financial position.</p>

Value for Money

Introduction

The 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.

2012/13 VfM conclusion

Our Value for Money conclusion will be based on two reporting criteria specified by the Audit Commission.

We will tailor our VfM work to ensure that as well as addressing high risk areas it is, wherever possible, focused on the Council's priority areas and can be used as a source of assurance members. Where we plan to undertake specific reviews to support our VfM conclusion, we will issue a Terms of Reference for each review outlining the scope, methodology and timing of the review. These will be agreed in advance and presented to Audit Committee.

The results of all our local VfM audit work and key messages will be reported in our Audit Findings report and in the Annual Audit Letter. We will agree any additional reporting to the Council on a review-by-review basis.

Code criteria

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 consider whether the Council is prioritising its resources with tighter budget

Work to be undertaken

Risk-based work focusing on arrangements relating to financial governance, strategic financial planning and financial control.

Specifically we will:

- 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
- report key messages in the Audit Findings Report
- produce a financial resilience report for the Council

Logistics and our team

The audit cycle



Date	Activity
Dec 2012	Planning meeting
Feb/March 2013	Interim site work
April 2013	The audit plan presented to Audit Committee
July 2013	Year end fieldwork commences
Aug 2013	Audit findings clearance meeting
Sept 2013	Audit Committee meeting to report our findings
Sept 2013	Sign financial statements and VfM conclusion
Nov 2013	Issue Annual Audit Letter

Our team

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Fees and independence

Fees

	£
Council audit	67,259
Grant certification	22,300
Total	89,599

Our fee assumptions include:

- Our fees are exclusive of VAT
- 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

Fees for other services

Service	Fees £
Provision of benchmarking information and analysis relating to the Housing and Council Tax Benefit	To be agreed

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

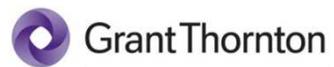
Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Introduce checks of benefits parameters in the iWorld Benefits system used by Liberata to provide assurance that the correct parameters are in the system at the start of the year.	Low	The parameters for 2013-2014 have been checked and an annual check will take place	Implemented April 2013, Borough Treasurer



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		Part One
AUDIT COMMITTEE		(D) Agenda Item 9
Date of Meeting:	27th June, 2013	
Reporting Officer:	Borough Treasurer	
<p>Title: External Audit Update June 2013</p> <p>Summary and Conclusions:</p> <p>The External Auditor has issued an Audit Committee Update. The update will be presented by the External Auditor.</p> <p>Recommendations:</p> <p>Members are recommended to receive and note the Audit Committee Update from the External Auditor.</p>		

Report

The External Auditor has issued an Audit Committee Update as at June 2013 and this is attached at **Appendix 2**. The External Auditor will present the report to Members.

Background Papers

Nil



Audit Committee Update for Barrow in Furness Borough Council

Year-ended 31 March 2013

June 2013

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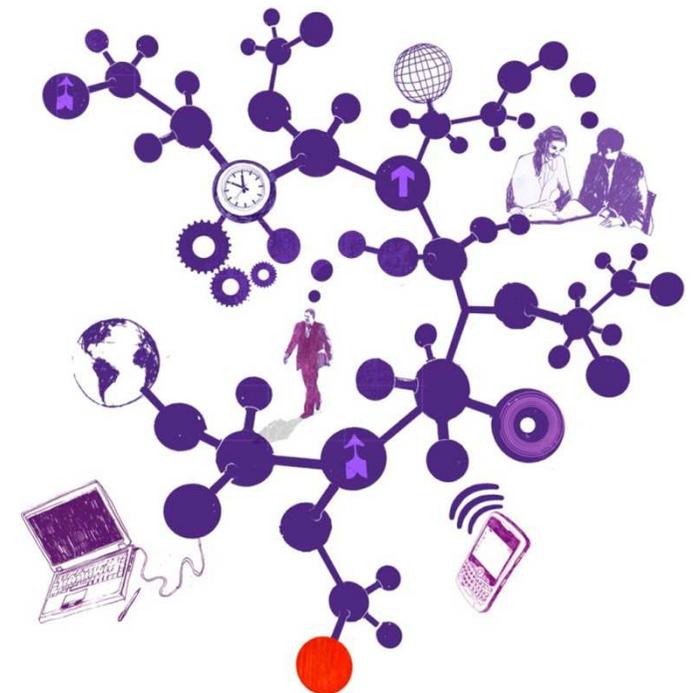
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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Introduction

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

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

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

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

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Len Cross Audit Manager T 0161 234 6387 M 0788 0456 198 Len.E.Cross@uk.gt.com

Progress at 11 June 2013

Work	Planned date	Complete?	Comments
<p>2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	April 2013	Yes	Members are asked to note the Audit Plan included as an agenda item for this meeting. The interim work was completed in April 2013 and the plan has been updated to reflect the current position.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 	April 2013	Yes	We completed our planned interim audit in April 2013.
<p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	September 2013	No	We will commence our fieldwork on the Council's accounts in July 2013.

Progress at 11 June 2013

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2012/13 VfM conclusion comprises:</p> <ul style="list-style-type: none">• review of relevant documentation and discussion with key contacts to assess the Council's arrangements against the Audit Commission's VfM criteria• producing a financial resilience report which assesses the Council's arrangements to secure financial resilience and benchmarks key financial ratios against other local authorities	September 2013	No	We have completed a substantial portion of the fieldwork in support of our VfM conclusion. We will be considering the Council's 2012/13 financial statements as part the work required to produce the Financial Resilience report.

Emerging issues and developments

Accounting and audit issues

LAAP Bulletin 96: Closure of the 2012/13 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued LAAP Bulletin 96. The bulletin provides further guidance and clarification to complement CIPFA's 2012/13 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- a reminder that authorities should tailor CIPFA's example financial statements to meet their own reporting needs in order to give a true and fair view of their own financial position and performance
- the need for billing and precepting authorities to disclose their share of non-domestic rate appeals liabilities that transferred to them on 1 April 2013
- accounting for carbon reduction commitment (CRC) energy efficiency scheme assets

Challenge question:

- Has your Borough Treasurer reviewed the guidance and assessed the potential impact for your financial statements?

Emerging issues and developments

Accounting and audit issues

Code of Practice on Local Authority Accounting in the United Kingdom 2013/14

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2013/14. The main changes to the Code include:

- amendments for the requirements of the localisation of business rates in England
- amendments to how 'other comprehensive income' is presented in the Comprehensive Income and Expenditure Statement. These changes follow the June 2011 amendments to IAS 1 Presentation of Financial Statements.
- amendments to how authorities should account for the cost of employees. This is as a result of the June 2011 amendments to IAS 19 Employee Benefits and include amendments to the classification, recognition, measurement and disclosure of local authority pension costs. This is accounted for as a prior period adjustment which means that the figures for previous years will need to be restated.
- clarifications and improvements of the Code as a result of the CIPFA/LASAAC post-implementation review of IFRS on issues such as:
 - the recognition and measurement of property, plant and equipment – in particular, paragraph 4.1.2.35 of the Code now requires items within a class of property, plant and equipment to be revalued simultaneously. The Code does permit a class of assets to be revalued on a rolling basis provided the revaluation is completed within a short period and provided the revaluations are kept up to date.
 - leases and lease-type arrangements (for example where lease rentals are charged at peppercorn rents)
 - the recognition of non-current assets held for sale
- amendments relating to deferred tax which may be applicable to authorities with group accounts. These follow amendments to IAS 12 Income Taxes issued in December 2010.

The Code also notes that guidance on the adoption of IFRS 13 Fair Value accounting has been deferred to the 2014/15 Code.

Challenge questions:

- Is your Borough Treasurer aware of the changes to the 2013/14 Code and assessed the potential impact?
- In particular, has your Borough Treasurer consulted:
 - your actuary to ensure you will have the information you need to restate amounts relating to pensions from previous years
 - your valuer to ensure that your revaluation programme complies with the new requirements for property, plant and equipment?

Emerging issues and developments

Accounting and audit issues

Internal audit – practice case studies

The NAO and the Institute of Internal Auditors have released a set of case studies, available on the NAO website, illustrating some of the key principles of effective internal auditing, taken from a range of public and private sector organisations (including British Telecom, Department for Work and Pensions, EDF). These cover the following areas:

- applying internal audit resources
- scope of internal audit
- auditing projects
- the relationship with the audit committee
- risk-based internal audit
- evaluating internal audit

Examples of the practical advice these case studies provide are:

- 'ensure that the internal audit function has the right development practices and the right mix of people'
- 'internal audit must check its own performance'
- 'look at the range and depth of assurance that is being provided to management from other assurance providers within the organisation: this will reduce the duplication and free up resources to provide deeper assurance in other areas'
- 'make sure that internal audit's work is aligned to management's view of risk: the function may be focussing on the wrong issues if it does not understand management's risk priorities'
- 'review whether senior management and the business share the same view of risk – highlight where differences occur to ensure that the right risks and controls are targeted in the audit plan'
- 'consider carrying out a benchmarking review with a similar sized organisation in the same industry sector to compare and contrast approaches to internal audit and resourcing'

Challenge question:

- How can you drive more organisational value from internal audit?

Emerging issues and developments

Grant Thornton

Use of Outsourced IT Services

Over the past few years, there has been an increasing move to outsourcing IT services to third parties within the Local Government sector. This has accelerated over the last year as a result of need to drive efficiencies across the public sector.

Two recent incidents have highlighted the need to carry out proper due diligence and ensure the correct contractual and technical provisions are in place when signing agreements with third parties:

- a major IT service provider, who offered a wide range of services including Network, Communications and Data Centre Management, recently went into administration. This created significant uncertainty for their clients in terms of on-going business as usual requirements as well as access to data. At one point clients were asked to make additional payments in order to gain access to their critical data.
- a large NHS Trust had a failure of its hard disk drive containing its financial data. On contacting the supplier responsible for taking back ups, it became evident that no data back ups had been taken in the preceding 6 months and therefore the client had lost 6 months of data. As a result, the system had to be restored to the last back up date and the data recreated. This was a time consuming and expensive exercise, and has impacted on the financial audit work where additional procedures will have to be performed.

Both of these incidents highlight the risks involved when outsourcing services. Organisations with critical data who run their own data centres would have normally considered the risks associated with a failure of an IT service (or an entire data centre) and would have taken steps to mitigate these risks. Companies who outsource the performance of key services still retain responsibility for their operating and regulatory requirements, and for ensuring that the control environments supporting their business processes are operating effectively, regardless of who is managing them.

Challenge question:

- Are you happy that your IT Department has procedures in place to monitor and manage risks of outsourced IT services?

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

Emerging issues and developments

Local government guidance

2010/11 Whole of Government Accounts

The following reports have been published on the audited 2010/11 Whole of Government Accounts (WGA):

- Public Accounts Committee (PAC) issued its 2010/11 WGA report - PAC has recommended that HM Treasury should do more to use WGA accounts to inform decision making and also drew attention to the need for the preparation and audit of WGA to be timelier.
- DCLG published an unaudited consolidated account for English Local Government 2010/11 - the information is high-level, focussing on the consolidated statement of revenue and expenditure, the consolidated statement of financial position and the consolidated statement of changes in taxpayers' equity. There is no breakdown of line items and no comment on cash flows, commitments and off balance sheet liabilities. However, the document does provide links to more detailed local government finance statistics.

Challenge question:

- Has your Borough Treasurer considered these reports and any lessons for the authority?
- Has your Borough Treasurer produced a robust and adequately resourced timetable for the production and submission of 2012/13 WGA returns?

Governance statements

The National Audit Office has published 'Fact Sheet: Governance Statements: good practice observations from our audits' providing insight and commentary on the first year of Governance Statement reporting observations on good practice "challenge questions" for those whose role it is to oversee and scrutinise an organisation's Governance Statement.

Challenge questions:

- How do you plan to make your Annual Governance Statement be more transparent and relevant to your authority?
- Have you used the challenge questions in the fact sheet to help inform your review of the Annual Governance Statement?

Emerging issues and developments

Local government guidance

Openness and transparency on personal interests - A guide for councillors

In March, DCLG published 'Openness and transparency on personal interests - A guide for councillors'.

This guide provides guidance to councillors about how to be open and transparent about their personal interests now that new standards arrangements have been introduced by the Localism Act 2011.

Challenge question:

- What has your authority done to improve awareness of openness and transparency requirements for councillors?



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		Part One
AUDIT COMMITTEE		(D) Agenda Item 10
Date of Meeting:	27th June, 2013	
Reporting Officer:	Borough Treasurer	
<p>Title: External Audit Fee Letter 2013-2014</p> <p>Summary and Conclusions:</p> <p>The fee letter for 2013-2014 has been received from the External Auditor. The Main Audit fee remains the same as 2012-2013. The External Auditor will be present at the meeting.</p> <p>Recommendations:</p> <p>Members are recommended to receive and note the External Audit fee for 2013-2014.</p>		

Report

The External Audit fee letter for 2013-2014 is attached at **Appendix 3**. The Main Audit fee remains the same as 2012-2013. The External Auditor will be present at the meeting.

Background Papers

Nil



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2 April 2013

Dear Sue

Planned audit fee for 2013/14

The Audit Commission has set its proposed work programme and scales of fees for 2013/14. In this letter we set out details of the audit fee for the 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 2013/14 has been set by the Audit Commission at £67,259, the same as the audit fee for 2012/13.

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/201314-fees-work-programme.

The audit planning process for 2013/14, 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.

Chartered Accountants

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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 grant certification fee has been set by the Audit Commission at £21,200.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2013	16,814.75
December 2013	16,814.75
March 2014	16,814.75
June 2014	16,814.75
Grant Certification	
June 2014	21,200.00
Total	88,459.00



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Outline audit timetable

We will undertake our audit planning and interim audit procedures in November and December 2013. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in September 2014 and work on the whole of government accounts return in September 2014.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November and December 2013	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June to Sept 2014	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2014	Audit Findings (Report to those charged with governance)	As above
Financial resilience	Jan to Sept 2014	Financial resilience report	Report summarising the outcome of our work.
Whole of government accounts	September 2014	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2014	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2014	Grant certification report	A report summarising the findings of our grant certification work

Our team

The key members of the audit team for 2013/14 are:

	Name	Phone Number	E-mail
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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 (sarah.howard@uk.gt.com).

Yours sincerely

Gina Martlew

Associate Director

For Grant Thornton UK LLP

AUDIT COMMITTEE		Part One (D) Agenda Item 11
Date of Meeting: 27th June, 2013		
Reporting Officer: Borough Treasurer		
<p>Title: Internal Audit Final Reports</p> <p>Summary and Conclusions:</p> <p>Internal Audit have completed a number of audits in accordance with the approved Annual Plan. The final reports will be presented to Members by the Head of Internal Audit.</p> <p>Recommendations:</p> <p>Members are recommended to receive and note the Internal Audit final reports.</p>		

Report

There are six final reports for consideration (**Appendices 4 to 9**) by Members:

1. Government Connect Code of Connection
2. Risk Management
3. Internet and Email Controls
4. Performance Management
5. Payroll
6. Receipt Book Checks

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

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

The assurance levels are:

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

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

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

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

The recommendation levels assigned to issues identified are:

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

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

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

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

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT IT 49
GC Code of Connection

Executive Summary

Introduction

Government Connect is a pan-government programme providing an accredited and secure network between central government and local authorities in England and Wales and allows exchange of RESTRICTED information. The GCSX network is part of the wider GSI and provides connectivity to nearly all central departments.

The Code of Connection (CoCo) is a mandatory set of requirements that must be demonstrated before local authorities can connect to the Government Secure Intranet (GSI).

The CoCo requires local authorities to provide a compliance statement documenting how their information technology security arrangements meet baseline requirements set up by central government. This CoCo compliance is assessed annually but a local authority can be audited at any time.

In 2013, the Government Connect CoCo is to be replaced by a new Public Sector Network (PSN) CoCo. This is broadly similar to the existing Code but with a greater emphasis on demonstrating the management of risk.

Audit Objectives

The audit was agreed with the IT Manager as part of the 2012/13 IT Audit coverage. The main objective of the audit was to provide assurance in relation to whether the Council is adequately meeting the requirements of the Code and to help prioritise any areas where compliance needs strengthening.

In addition, the audit sought to identify those areas requiring further attention in order to meet the needs of the new PSN Code of Connection. This has been supplied separately to the IT Manager in the form of a gap analysis.

The scope of the audit and the key risks were discussed and agreed with the IT Manager, before the start of the audit.

Key Points
Substantial Assurance
No major issues
Six important issues
Four minor issues

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that there are weaknesses which may place some of the objectives at risk. We have identified six important issues and four minor issues but, these concerns apart, we found there to be a reasonable level of compliance over the extremely wide scope of the Code of Connection. For this

reason, and bearing in mind the plans already in place, we are able to provide a substantial assurance at this time.

The main issues referred to in this audit relate to completion of projects already started, extending the range of formal policies and the strengthening of risk assessment processes to aid and record decision making.

We have raised six important issues, which relate to:

- strengthening the risk management process;
- formalising the internal “hardening” standards;
- considering a process to check for configuration changes;
- documenting the technical framework for remote access;
- agreeing formal policies for patch management; and
- documenting arrangements covering the control of removable media.

In addition, we have raised four minor issues, which concern:

- investigating the use of operating system policies to prevent the use of unauthorised software;
- including the current partial compliance of firewall arrangements in the risk assessment;
- including the absence of Address Resolution Protocol (ARP) tables in the risk assessment; and
- recording the non-compliant mail transfer method in the risk assessment.

Management Response

We have received a constructive management response from the Council’s IT Manager accepting each of our recommendations.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 12-06
RISK MANAGEMENT

Executive Summary

Introduction

The Council's Risk Management Policy 2011 states that the Council's approach to risk management has been developed to support the key requirements of good corporate governance. The Policy recognises that good risk management will support and enhance the decision making process, increase the likelihood of the Council meeting its objectives and enable it to respond quickly to new pressures and opportunities.

Key responsibilities for risk management include: the Leader of the Council to overview risk management activities; Executive Committee to approve the Policy; Audit Committee to review the Policy and Risk Register; and Management Team to ensure there is a robust framework to manage risks and to review the Register. A draft revision of the Risk Management Policy has been produced, which is due to be considered by the Executive Committee in May 2013.

The Policy Review Officer maintains the Council's Risk Register, monitors action plans and prepares reports for Members and senior managers. The latest Register identifies 13 corporate risks and 23 operational risks.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test the high level controls over the Risk Management process. The scope and objectives of the audit were discussed and agreed in advance with the Policy Review Officer.

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

Key Points
Restricted Assurance
One minor issue
Three previous recommendations

Audit Conclusion – *Restricted 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; the most significant elements relating to Business Continuity Management. We have made one Priority 3 recommendation, as follows:

- The Council should ensure that the latest versions of the Risk Management Policy and Risk Register are available on its intranet network.

In addition, Internal Audit reviewed the three outstanding recommendations made in Audit Report 11-08 (Business Continuity), dated December 2011. One

recommendation has been partially implemented, the outstanding elements being as follows:

- In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should:
 - b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM;
 - c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises; and
 - d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities. (Priority 1)

The other two recommendations remain outstanding, as follows:

- The Council should produce a formally approved and up to date Business Continuity Plan, considering the following potential areas for inclusion:
 - clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures;
 - approving a formal BCM policy/strategy;
 - reviewing and documenting the Business Critical Activities (BCAs) for each of its services;
 - carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA;
 - including a corporate incident management plan which designates a team to manage an incident, sets out procedures and resources to enable services to resume and identifies accommodation/communications for the team and key service staff;
 - 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. (Priority 1); and
- The Council should ensure that it has a sound infrastructure in place to support its Business Continuity arrangements effectively. (Priority 2)

Additionally, Internal Audit reviewed the nine agreed recommendations made in Audit Report 09-02, dated November 2009. Eight of the recommendations have been implemented, while one recommendation has been overtaken by events.

Management Response

We have received a constructive management response from the Policy Review Officer, 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 50
INTERNET AND EMAIL CONTROLS

Executive Summary

Introduction

In accordance with the 2012/13 Audit Plan, an IT review of the Internet and Email Controls was commenced in February 2013.

A secure gateway between the Corporate Network and the Internet is a key defence against intrusion, worms, viruses, malware and denial of service attacks. Correctly configured firewalls and effective security software and controls will ensure that the internal network, service and systems are protected. Internal Audit reviewed the controls in place over the management of, access to and use of the Council's Internet and Email Services.

Audit Objectives

The audit was agreed with the IT Manager as part of the 2012/13 IT Audit coverage. The main objective of the audit was to provide reasonable assurance that adequate controls exist over the Council's management of Internet and Email.

The scope of the audit and the key risks were discussed and agreed with the IT Manager, before the start of the audit.

Key Points
Substantial Assurance
Two important issues
One minor issue

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that there are weaknesses which may place some of the objectives at risk. We have identified two important issues and one minor issue but, these concerns apart, we found there to be sound arrangements for the protection of the Council network and are therefore able to provide a substantial assurance.

We have made two Priority 2 recommendations, as follows:

- Management should ensure that the Council's Internet and Email requirements and the means of provision are formalised in a brief and simple document; together with internal and external responsibilities; and
- IT Services should maintain simple records of any downtime which affects key systems and use this information to calculate and publish monthly or quarterly statistics on availability.

We have also made one Priority 3 recommendation:

- IT Services should ensure that the training and skills matrix is updated. Any internal skills shortfall should be recorded in the risk assessment, but where third party support is utilised this should be noted as mitigation.

Two further issues were identified concerning risk assessment processes and software patching policies. However these were raised in Internal Audit Report IT 49 and corrective actions have already been agreed for completion during 2013. These recommendations are not therefore repeated here.

Management Response

We have received a constructive management response from the IT Manager, accepting each of the recommendations.

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 12-04
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 current economic climate, the Council reduced its key Priorities to the four most urgent and important issues identified in the Borough as follows: efficiency, housing, the built environment and the local economy. These priorities remain key for the Borough in 2012/13.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 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 Policy Review Officer.

Key Points
Substantial Assurance
Four important issues
Two minor issues

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 four Priority 2 recommendations, stating the Council should:

- review the reported Performance Indicators, to ensure that they reflect, and provide useful monitoring information in relation to the Council's Key Priorities;
- update corporate performance management documentation, including the Performance Management Framework;
- produce documented procedures relating to the performance management system, including roles and responsibilities of officers and Members; specifically including those of the Policy Review Officer; and
- consider setting targets for the reported performance indicators, in line with Key Priorities.

We have also made the following two Priority 3 recommendations:

- The Council should revise the 'performance information' held on both its website and intranet to provide up to date indicator data and related guidance within the appropriate sections; and
- Consideration should be given to 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.

In addition, Internal Audit reviewed the agreed recommendation from our previous audit report 11-06, dated February 2012, this recommendation has been implemented.

Management Response

We have received a constructive management response from the Policy Review Officer accepting five recommendations, and partially accepting one recommendation.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 12-11
PAYROLL

Executive Summary

Introduction

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

The February 2013 monthly payroll involved employee costs of approximately £520,000 with net payments of £320,000 to 273 officers and 36 Councillors.

Audit Objectives

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

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

Key Points

Substantial Assurance

Three important issues

One minor issue

Three 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 a number of weaknesses which put some of the system objectives at risk. We have made the following three Priority 2 recommendations:

- The Council should ensure that a letter of appointment signed by each new starter is obtained by the date that the person's employment commences;
- The Council should ensure that payroll system reports are retained to substantiate the details submitted to HM Revenue and Customs, within the annual P35 return of payroll information; and
- The Council should ensure that expense and overtime claims, or summary input documents where these are used, are checked by a member of staff from the Borough Treasurer's Department to ensure that they have been completed fully and authorised by the relevant manager, and that this check is recorded.

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

- The Council should ensure that full documentation is held to support the payment of additional allowances to employees.

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

One of the two recommendations made in Audit Report 11-14, dated December 2011, has been fully implemented; the other recommendation remains outstanding, which is as follows:

- The Council should consider the introduction of a process for permanent employee payroll information to be checked and certified annually by departmental managers. (Priority 2)

All six recommendations made in Audit Report 11-13, dated June 2012, have been implemented in full.

The one outstanding recommendation from Audit Report 08-21, dated February 2009, remains outstanding; this concerns:

- The Council should include the current versions of employee and Member claim forms available on the Council's Intranet facility. (Priority 3)

Finally, the one outstanding recommendation from Audit Report 07-17, dated December 2007, also remains outstanding:

- The Council should:
 - a) ensure that claims for expenses are processed using the correct 'claim for overtime and subsistence allowance' form; and
 - b) consider revising the form to include a standard declaration regarding validity/ responsibility for expenses claimed. (Priority 3)

Management Response

We have received a constructive management response from the Chief Accountant (Systems) and the Principal Personnel Officer, accepting three recommendations and partially accepting one recommendation.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 12-29
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 January 2012 the Council introduced an electronic receipting system for utilisation by Customer Services; 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 2012/13 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
Two minor issues
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 made two Priority 3 recommendations which concern:

- ensuring that where a receipt is recorded as void on the system, the actual receipt is annotated to confirm that it has been cancelled; and
- considering the introduction of a spot check on refunds performed by CRM.

In addition, Internal Audit reviewed the three outstanding recommendations from Audit report 07-37, dated April 2008. One recommendation has been implemented, one recommendation has been overtaken by events and one recommendation remains outstanding which relates to marking the final receipt of the banking with the total amount and date banked.

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.

		Part One
AUDIT COMMITTEE		(D) Agenda Item 12
Date of Meeting:	27th June, 2013	
Reporting Officer:	Borough Treasurer	
<p>Title: Internal Audit Annual Report 2012-2013</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Annual Report for 2012-2013 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive and note the Internal Audit Report for 2012-2013.</p>		

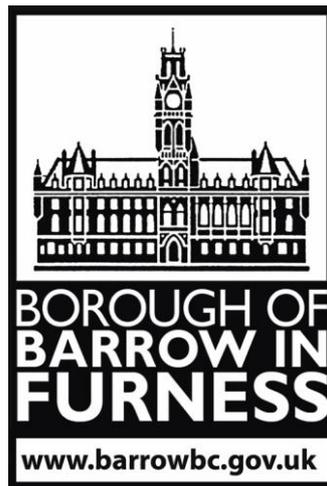
Report

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 2012-2013 is attached at **Appendix 10**. The Head of Internal Audit will present the report to Members.

Background Papers

Nil



BARROW BOROUGH COUNCIL

INTERNAL AUDIT ANNUAL REPORT

2012/13

June 2013

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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 Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 (the Code). 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 internal control environment;
- b) Disclose any qualifications to that opinion, together with the reasons for the qualification;
- 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 Code states that "the Head of Internal Audit should provide a written report to those charged with governance timed to support the Statement on Internal Control" (which has now been replaced with the requirement to produce an 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 (March 2011) and the 2007 CIPFA/SOLACE Framework and Guidance notes; with regard to internal control.

Additionally the CIPFA Audit Panel has produced a document "the review of the Effectiveness of the System of Internal Audit" which refers to the "system of Internal Audit" and the need for the Head of Internal Audit to acquire an understanding of all sources of assurances; and assessing the assurance available.

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.

Review of Effectiveness

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.

Basis of Assurance

We have conducted our audits in accordance with professional standards and good practice contained within the CIPFA Code and additionally from our own internal quality assurance systems. We have also outlined 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 Code, and can confirm compliance. This is supported by the work undertaken by the Council’s External Auditor, and aids the review of the effectiveness of the system of internal audit.

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 2012/13 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the internal control environment.

The Code states 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.

2012/13 Year Opinion

This report provides reasonable assurance that the majority of key controls were operating satisfactorily.

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.

There are however, two areas where only Restricted assurance can be provided, which relate to:

- Dalton MUGA Contract
- Risk Management

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 Borough Treasurer 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 Borough Treasurer, 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 statements, standards and guidelines published by CIPFA (in particular the Code) and the Chartered Institute of Internal Auditors.

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 2012/13 Audit Plan

The Audit Plan for 2012/13 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 Line 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 Borough Treasurer in rescheduling priorities where required.

2. REVIEW OF PERIOD

2.1 Progress against 2012/13 Annual Plan

A detailed analysis of the current situation regarding the 2012/13 Plan is provided in Appendix A.

The assessment of auditable areas has identified 80 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 reduction in planned coverage compared to actual mainly relates to changes made to the audit plan for an increased number of contract audit reviews. In addition, Housing and Council Tax 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	
	2012/13	2011/12	2012/13	2011/12
Planned	43%	36%	55%	59%
Achieved	41%	33%	52%	57%

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.

During 2012/13, 96 calls were received, of which 94 of these were benefit related.

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 2012/13 and 2011/12. The majority of Council systems, see Appendix A, have achieved the level of Substantial Assurance, however, two systems have been classified as Restricted Assurance in 2012/13:

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2012/13	19	3	16	14	74	2	10	0	0
2011/12	31	4	13	25	81	2	6	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 2007 CIPFA/SOLACE Framework and Guidance notes.

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 2012/13, and the management responses, analysed in accordance with the above categories.

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

Comparative figures for 2011/12 are as follows:

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2011/12	123	7	76	40
Fully Accepted	117	7	73	37
Partly Accepted	5	0	3	2
Not Accepted	1	0	0	1

4.3 Implementation of recommendations

During the year we have reported on the implementation of 149 agreed audit recommendations made in previous reports. The results are as follows:

	Fully Implemented	Not Implemented	Overtaken By Events	TOTAL
2012/13	103	23	23	149
2011/12	58	65	49	172

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 2013/14.

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 2012/13

Report Number	Audit Assignment	SYSTEM SIGNIFICANCE BAND	Status	Assurance
	ANNUAL AUDITS			
12-01	Income Collection	1	Final	Substantial
12-02	Housing and Council Tax Benefits	1	Draft	Substantial
12-03	Council Tax	1	Final	Substantial
12-04	Performance Management	2	Final	Substantial
12-05	Business Rates (NNDR)	1	Final	Substantial
12-06	Risk Management	1	Final	Restricted
12-07	Financial Information System	1	Final	Unqualified
12-08	Budgetary Control	2	Final	Unqualified
12-09	Treasury Management	2	Final	Unqualified
12-10	Car Park Meter Income	2	Final	Substantial
12-11	Payroll (inc. Expenses)	2	Final	Substantial
12-12	Accounts Receivable	2	Final	Substantial
12-13	Corporate Control/Governance	2	Complete	N/a
12-14	Periodic Checks	2	Complete	N/a
12-15	Procurement (inc. Ordering)	2	Postponed - time used for Housing contract audit	N/a
12-16	Accounts Payable	2	Final	Substantial
12-17	Housing Rents	2	Final	Substantial
12-18	Standing Orders/Financial Regulations/Anti Fraud Policy	2	Complete	n/a
12-19	Housing Non-Routine Maintenance	2	Postponed - time used for Housing contract audit	n/a
	RISK ASSESSED SYSTEMS			
12-21	The Forum	3	Final	Substantial
12-23	Document Retention	4	Draft	Restricted
12-24	Cemeteries and Crematorium	4	Final	Substantial
	DESIGNATED ANNUAL AUDIT ACTIVITY			
12-29	Receipt Book Checks		Final	Substantial
	Community Organisations and Mayor's Account:			
-	Hawcoat		Complete	
-	Abbotsvale		Complete	

Report Number	Audit Assignment	SYSTEM SIGNIFICANCE BAND	Status	Assurance
-	Dalton Community Association		Complete	
-	Roosegate		Complete	
-	Barrow Playing Fields Users Association		Information awaited	
12-28	Mayor's Account		Complete	
12-27	NFI Responsibilities		Complete	
12-31	Four Groves Association		Complete	
	IT ENVIRONMENT AUDITS			
-	Implementation Review	1	Complete	
IT 49	CoCo4.1 to Public Services Network	1	Final	Substantial
IT 50	Internet and Email Controls	1	Final	Substantial
	CONTRACT AUDIT			
CR66	Arthur Street Demolition	1	Final	Substantial
CR70	Dalton Multi-Use Games Area	1	Final	Restricted
	2011/15 CHP Housing Contracts:	1		
CR71	Bathroom Improvements	1	Initial Draft	
CR72	Heating Improvements	1	Initial Draft	
CR73	Kitchen Improvements	1	Initial Draft	
CR74	Painting Improvements	1	Initial Draft	
CR75	Responsive Repairs	1	Initial Draft	
CR76	Rewire Improvements	1	Initial Draft	
CR77	Soccer Centre, Park Leisure Centre	1	In Progress	
CR78	Adaptations	1	Initial Draft	
CR79	102 Abbey Road	1	Draft	Substantial
CR81	2011/15 CHP Roofing Improvements	1	Commenced	
CR82	North Central Group Repair Scheme	1	Stage 2 Findings Produced	
CR83	Dock Museum New Car Park and Access	1	Stage 1 Findings Produced	
	AUDIT MANAGEMENT			
	Implementation Review:			
11-27	Cemeteries & Crematorium		Complete	
08-07	Performance Management		Complete	

Report Number	Audit Assignment	SYSTEM SIGNIFICANCE BAND	Status	Assurance
09-01	Performance Management		Complete	
10-22	Licensing		Complete	
11-14	Payroll		Complete	
11-25	Insurance		Complete	
IT 25	Data Protection Act Implementation		Complete	

AUDIT COMMITTEE		Part One (D) Agenda Item 13
Date of Meeting: 27th June, 2013		
Reporting Officer: Borough Treasurer		
<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 14
Date of Meeting:	27th June, 2013	
Reporting Officer:	Borough Treasurer	
<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. It is proposed that a review is performed by the Chair and Vice Chair with the assistance of the Borough Treasurer and reported to this Committee in September 2013.</p> <p>Recommendations:</p> <p>Members are recommended to agree that the Chair and Vice Chair be delegated to undertake an annual review of the effectiveness of the Audit Committee with the Borough Treasurer.</p>		

Report

The Chartered Institute of Public Finance and Accountancy (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 evaluation checklist is attached at **Appendix 11**.

It is proposed that the review is performed by the Chair and Vice Chair with the assistance of the Borough Treasurer and reported to this Committee for approval in September 2013. The report will include agreeing any areas where improvements could be made.

Background Papers

Nil

Section 2 – Audit Committee self-assessment checklist

ESTABLISHMENT, OPERATION AND DUTIES					
Role and remit					
Priority	Issue	Yes	No	N/a	Comments/action
1	Does the audit committee have written terms of reference?				
1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?				
1	Are the terms of reference approved by the council and reviewed periodically?				
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?				
1	Can the audit committee access other committees and full council as necessary?				
1	Does the authority's statement on internal control include a description of the audit committee's establishment and activities?				
2	Does the audit committee periodically assess its own effectiveness?				

2	Does the audit committee make a formal annual report on its work and performance during the year to full council?				
Membership, induction and training					
1	Has the membership of the audit committee been formally agreed and a quorum set?				
1	Is the chair independent of the executive function?				
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management, accounting concepts and standards, and the regulatory regime?				
1	Are new audit committee members provided with an appropriate induction?				
1	Have all members' skills and experiences been assessed and training given for identified gaps?				
1	Has each member declared his or her business interests?				
2	Are members sufficiently independent of the other key committees of the council?				
Meetings					
1	Does the audit committee meet regularly?				
1	Do the terms of reference set out the frequency of meetings?				

1	Does the audit committee calendar meet the authority's business needs, governance needs and the financial calendar?				
1	Are members attending meetings on a regular basis and if not, is appropriate action taken?				
1	Are meetings free and open without political influences being displayed?				
1	Does the authority's S151 officer or deputy attend all meetings?				
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?				
INTERNAL CONTROL					
1	Does the audit committee consider the findings of the annual review of the effectiveness of the system of internal control (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?				
1	Does the audit committee have responsibility for review and approval of the SIC and does it consider it separately from the accounts?				
1	Does the audit committee consider how meaningful the SIC is?				
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?				

1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?				
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"				
1	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?				
2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?				
2	Does the audit committee review the authority's strategic risk register at least annually?				
2	Does the audit committee monitor how the authority assesses its risk?				
2	Do the audit committee's terms of reference include oversight of the risk management process?				
FINANCIAL REPORTING AND REGULATORY MATTERS					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?				
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> • the suitability of accounting policies and treatments • major judgements 				

	<ul style="list-style-type: none"> • made • large write-offs • changes in accounting treatment • the reasonableness of accounting estimates the narrative aspects of reporting?				
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?				
1	Does the audit committee review management's letter of representation?				
2	Does the audit committee annually review the accounting policies of the authority?				
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?				
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?				
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?				
1	Does internal audit have an appropriate reporting line to the audit committee?				
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?				
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?				
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?				
1	Is there appropriate cooperation between the internal and external auditors?				
1	Does the audit committee review the adequacy of internal audit staffing and other resources?				
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal audit in Local Government in the United Kingdom?				
2	Are internal audit performance measures monitored by the audit committee?				
2	Has the audit committee considered the information it wishes to receive from internal audit?				

EXTERNAL AUDIT					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognizing the statutory duties of external audit)?				
1	Does the audit committee hold periodic private discussions with the external auditor?				
1	Does the audit committee review the external auditor's annual report to those charged with governance?				
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?				
1	Are reports on the work of external audit and other inspection agencies presented to the committee, including the Audit Commission's annual audit and inspection letter?				
1	Does the audit committee assess the performance of external audit?				
1	Does the audit committee consider and approve the external audit fee?				
ADMINISTRATION					
Agenda management					
1	Does the audit committee have a designated secretary from Committee/Member Services?				

1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?				
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?				
2	Are inputs for Any Other Business formally requested in advance from committee members, relevant officers, internal and external audit?				
Papers					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?				
2	Does the audit committee issue guidelines and/or a proforma concerning the format and content of the papers to be presented?				
Actions arising					
1	Are minutes prepared and circulated promptly to the appropriate people?				
1	Is a report on matters arising made and minuted at the audit committee's next meeting?				
1	Do action points indicate who is to perform what and by when?				

		Part One
AUDIT COMMITTEE		(D) Agenda Item 15
Date of Meeting:	27th June, 2013	
Reporting Officer:	Borough Treasurer	
<p>Title: Annual Review of Internal Audit 2012-2013</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 2012-2013 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. The CIPFA code of practice for Internal Audit in local government – 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 2012-2013 – 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.

The CIPFA code of practice for Internal Audit in local government

This is a self-assessment checklist split into eleven standards which are all adopted by 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 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 2012-2013

This is presented as part of the agenda at this Committee meeting (Item No. 12)

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 2012-2013, the Internal Audit service achieved an 86% satisfaction rate.

Background papers

Documents noted in the report.

		Part One
AUDIT COMMITTEE		(D) Agenda Item 16
Date of Meeting:	27th June, 2013	
Reporting Officer:	Borough Treasurer	
<p>Title: 2012-2013 Statement of Accounts Update</p> <p>Summary and Conclusions:</p> <p>This report contains an update on the 2012-2013 Statement of Accounts and proposes that an informal session regarding the Statement is arranged for Members in late September 2013.</p> <p>Recommendations:</p> <p>Members are recommended to note the report and agree that a session on the Statement of Accounts be arranged.</p>		

Report

The Statement of Accounts will be completed at the time of this meeting. The ledger or 'the books' have been closed and the disclosure notes and the Statement document are being finalised in the latter weeks of June.

Members will recall that the Statement of Accounts is a document containing almost 100 pages which needs to be signed as giving a true and fair view of the financial position of the Council for 2012-2013. The Chair is authorised by the Audit Committee to sign on behalf of the Council. I propose that an informal session covering the Statement of Accounts be arranged for Members in late September, when the Statement is final (but remains subject to audit until the Annual Governance Report is issued and agreed by Members).

Background Papers

Nil

AUDIT COMMITTEE		Part One (D) Agenda Item 17
Date of Meeting: 27th June, 2013		
Reporting Officer: Borough Treasurer		
<p>Title: Going Concern</p> <p>Summary and Conclusions:</p> <p>The Council is required to assess and determine that it is appropriate to prepare the financial statements on a going concern basis. The review should take account of all available information about the future, which is at least, but not limited to the next twelve months from the end of the reporting period.</p> <p>The accounts of the Council for the period 1st April 2012 to 31st March 2013 have been prepared on a going concern basis. This basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.</p> <p>Recommendations:</p> <p>Members are recommended to agree that the Council is a going concern and that it is appropriate for the accounts to be prepared on a going concern basis.</p>		

Report

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

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

The accounts of the Council for the period 1st April 2012 to 31st March 2013 have been prepared on a going concern basis. This basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.

Considerations	Management Team assessment	Completed	Date
Forecasts and budgets	Council approved the budget for 2012-2013 and a three year Medium Term Financial Plan.	Yes	February 2013
	Council approved a three year capital programme.	Yes	February 2013
	External Audit provided an unqualified opinion on the accounts for the year ended 31 st March 2012.	Yes	September 2012
	Budget Strategy to balance the budget by 2015-2016 approved by Council.	Yes	October 2011
Working capital facility	The Council's income stream is assessed as sufficient to provide adequate working capital. The Council's banking arrangement is flexible and can provide temporary cover if required.	Yes	April 2013
Medium and long term plans	The annual budget process provides the following years budget as well as a three year forecast.	Ongoing	Ongoing
New legislations	The HRA is now operating under the new self-financing arrangements.	Yes	April 2012
	The Council has adopted the prescribed default Council Tax Reduction Scheme and will shortly make a decision for 2014-2015.	Ongoing	July 2013
	The Council is aware of the upcoming changes for Universal Credit and NNDR distribution.	NNDR is complete. Universal credit is ongoing	NNDR is complete. Universal credit is ongoing
	The Council has signed up to the DCLG Right to Buy receipt retainment scheme.	Yes	Revised agreement signed June 2013
Cash flow timing	A full assessment of projected cash inflows and outflows is carried out on daily basis, including the timing of receipts and settlement of all known liabilities.	Ongoing	Ongoing

Considerations	Management Team assessment	Completed	Date
	There are no known factors which would result in a cash shortage during 2013-2014. Business rate retention has been built in to the Council's cashflow projections.		
Contingent liabilities	The Council does not have any material contingent liabilities either at the present time or forecast which are not included in the accounts.	Yes	June 2013
Risk management	The Council has a risk management process which focuses on the business critical areas of operations and management.	Ongoing	Ongoing
Political environment	The Council has moved to a four yearly election cycle. The May 2011 elections resulted in a decisive majority for one political party. This environment provides stability in the policy making areas relating to services and the overall direction of the Council.	Yes	May 2011

Background Papers

Nil

AUDIT COMMITTEE	Part One (D) Agenda Item 18
Date of Meeting: 27th June, 2013	
Reporting Officer: Policy Review Officer	
<p>Title: Risk Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with the Council's risk register.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>	

Report

The risk register for 2013/14 is attached as **Appendix 12** it continues to focus on those business critical risks which are under the control of the Council.

The risk register was reviewed by Management Board at their meeting in June 2013 and the following changes were agreed.

Operational Risks

Management has agreed a number of operational risks and these are presented in **Appendix 13**. The operational risks will be used to inform the development of the Council's Business Continuity Plan.

Background Papers

Nil

Risk Register June 2013

Risk category: Corporate financial risks

Inherent risk score					Residual risk score					
	Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score

Risk category: Corporate financial risks										
		Inherent risk				Residual risk				
		score				score				
Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score	
2	Impact of changes to the benefit system on income for the housing Department	5	4	20	75% of the Services income is received through Housing Benefit. At 2012 rents this will equate to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income.	A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan. The Service has recently reviewed it's Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected. A new post has been created to assist with income recovery it is anticipated that this post will be cost neutral.	Housing Manager	5	3	15
3	MMI levy under the Scheme of Arrangement.	4	5	20	The Council has a liability as member of the Scheme of Arrangement with Municipal Mutual Insurance (MMI) to pay a levy when demanded for the claims that have been settled since 1993. A levy has been called and will be paid in 2013. Further levies can be demanded in the future, up to the total value of claims settled by MMI since 1993.	The Council has set aside funding in the event of the levy being demanded.	Borough Treasurer	3	3	9
4	Impact of pay review	4	4	16	Potential staff unrest. Increase in staff costs. Failure to agree the outcomes of the job evaluation process.	Following the implementation of the outcomes of the Council's spending review posts will be allocated salary scales based on the pay review. An equal pay audit has been undertaken and no significant risks have been identified. The Council will develop a workforce strategy	Deputy Executive Director	4	3	12

Risk category: Corporate service delivery risks										
	Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
5	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors The Council retains the intellectual property and assets that will support continuity of services	Management Board	3	4	12
6	Level of sickness worsens	4	3	12	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to maintain the current relatively low levels. The impact of elevated levels would only be moderate.	Deputy Executive Director	4	3	12
7	Performance of service delivery contractors.	3	3	9	Failure to deliver key services. Public dissatisfaction with the service. Public health risk.	The Council has agreed contingency plans with the contractor which are incorporated in the contracts. Protracted industrial action is covered in the contract.	Assistant Director of Community Services	3	3	9
8	Impact of Welfare Reform changes	4	4	16	Increasing numbers of residents experience difficulty in meeting their housing costs and risk homelessness.	1. Continue to support and work with advice agencies throughout the Borough to assist residents to receive appropriate advice. 2. Maximise the Discretionary Housing Payments fund to assist residents in the most challenging financial circumstances to look for longer-term solutions to their problems. 3. To develop a Homeless Strategy and our approach to preventative work to assist residents under threat of losing their homes or who are homeless to resolve their housing problems.	Housing Manager	4	4	16
9	Failure to deliver Waterfront Barrow regeneration programme	4	4	16	This will damage the profile of Barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council is committed to complete the site assembly. The project can progress in phases subject to the availability of funding.	Executive Director	3	4	12

Risk category: Corporate compliance risk										
Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score	
10	Not having appropriate governance arrangements in place	2	5	10	The Council may lose focus on the purpose of the authority and the wider outcomes for the community	The Council continues to monitor and strengthen its governance arrangements. These include: Audit and scrutiny functions. Treasury management Asset management Resource management Performance management Risk management	Deputy Executive Director	2	3	6
Risk category: Corporate compliance risks										
Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score	
11	Failure to maintain H&S arrangements	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Board has strengthened the Council's H&S arrangements.	Deputy Executive Director	2	3	6
12	Capacity to undertake statutory inspections, investigations and enforcement action.	4	3	12	Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.	Review and monitor departmental structure. Tactical use of consultants if required	Assistant Director of Regeneration and Built Environment	3	3	9
13	Legal challenge to Procurement of contracts	2	3	6	Unexpected legal costs and fines. Potentially no agreed contract to cover service due to previous contract lapsing.	Training of staff involved in high value procurement and audit checklists.	Assistant Director of Regeneration and Built Environment	1	3	3
14	Incidents of fraud, bribery or corruption	2	2	4	It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.	Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit	Borough Treasurer	1	2	2

Risk category: Corporate business continuity risks										
	Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score

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 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 leisure and enforcement are contracted out.</p> <p>Management Team 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.</p>	Deputy Executive Director	3	4	12
Access to operational buildings.	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	<p>The Council has a Business Continuity Plan.</p> <p>Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities.</p> <p>Key back office functions performed in the Town Hall can be carried out from other operational buildings.</p> <p>There are several key holders for each operational building.</p>	Executive Director	1	3	3

What are the operational risks for service delivery?

What could stop service delivery - what's the risk?

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

What are the operational risks for service delivery?

What could stop service delivery - what's the risk?

Threat	L	I	S	Potential impact	Mitigating actions	Responsible	L	I	S
Maintenance of Council housing stock to decent homes standard.	3	5	15	Living conditions and safety of tenants may be adversely affected.	The housing maintenance programme is provided by a contractor. The housing department's maintenance team closely monitor	Housing Manager	2	3	6
Availability of homeless accommodation.	3	5	15	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 (6?).	Housing Manager	2	3	6
Unplanned outage of the cremator.	2	5	10	Services are pre-booked and there would be disruption to users in rescheduling or transferring the services. There would be a loss of income.	The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined.	Assistant Director of Community Services	2	3	6
Failure of swimming pool filters or other breakage.	2	4	8	The swimming pool would be unavailable to users until fixed. If the outage ran over weeks, the gym & swim members may request a partial refund. There would be a loss of income.	The daily checks carried out on the swimming pool and associated plant would identify potential areas of concern and the appropriate contractor would be brought in to address the issues raised.	Assistant Director of Community Services	2	3	6
Failure of bleacher seating system in the Forum main auditorium	2	4	8	If the seats locked back, the auditorium could not be used as intended. If the situation could not be rectified, events may have to be cancelled with consequent financial loss. There would be an adverse reputational effect.	Checks are undertaken before each performance and at each system deployment. A monthly system check is undertaken. The manufacturer pays a service visit every 6 months. The manufacturer has a rapid response service should a fault occur.	Assistant Director – Community Services	2	3	6

		Part One
AUDIT COMMITTEE		(D) Agenda Item 19
Date of Meeting:	27th June, 2013	
Reporting Officer:	Policy Review Officer	
<p>Title: Annual Governance Statement</p> <p>Summary and Conclusions:</p> <p>Provide Members with the draft Annual Governance Statement for 2012/13.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and agree to submit the report and supporting evidence to the District 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.

The following members of staff were involved in preparing the Annual Governance Statement for 2012/13.

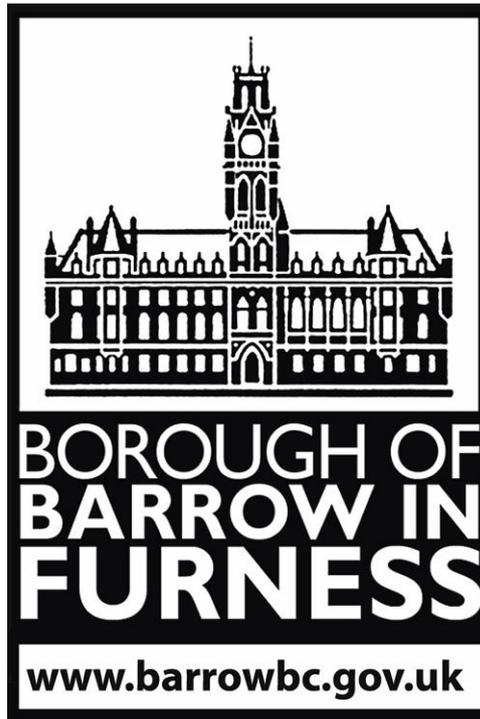
- Executive Director: Head of Paid Services;
- Deputy Executive Director: Monitoring Officer;
- Borough Treasurer: S151 Officer;
- Assistant Director of Community Services;
- Assistant Direct of Regeneration and the Built Environment;
- Housing Manager;
- Internal Audit, Manager;
- Policy Review Officer;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

The Annual Governance Statement is attached as **Appendix 14**.

The supporting principles are attached as **Appendix 15**.

Background Papers

Nil.



Draft Annual Governance Statement 2012- 2013

Author: Deputy Executive Director
Date published:
Review date:

Endorsed by Audit Committee

Corporate Directorate
Town Hall
Duke Street
Barrow-in-Furness
Cumbria
LA14 2LD

Annual Governance Statement – 2012-2013

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 is about how the Council ensures that the right things are done in the right way, for the right people, in a timely, open, honest and accountable manner.

C. The Council's Governance Framework

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.

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

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

The framework enables the Council to monitor the achievement of its strategic objectives and to consider whether these objectives have led to the delivery of appropriate, cost effective services. Appendix 1 shows the process involved in preparing the statement and link to the supporting documents. Appendix 2 depicts the AGS framework.

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
- Borough Treasurer - S151 Officer
- Assistant Director of Community Services
- Assistant Director of Regeneration and the Built Environment
- Housing Manager
- Democratic Services Manager
- Internal Audit 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.

The group was advised on the implications of the results of the review of effectiveness by the Audit Committee. The Council will continue to review weaknesses and ensure continuous improvement of the systems in place. A governance group has been established to review our governance arrangements.

The Council's governance arrangements were discussed by Management Group at their meeting of 4th February 2013.

E. Self Assessment

The Council has assessed itself against the six core 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 Team.

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 governance principles set out in the CIPFA/SOLACE Framework - Delivering Good Governance in Local Government.

- **Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area:**
 - The Council has a strategic vision and has identified four key priorities for 2012-2015.
 - The Council uses its budget strategy and annual key priority objectives to define how the vision will be delivered.
 - The Medium Term Financial Plan underpins corporate aims and priorities.
 - Effective Budget Monitoring takes place regularly.
 - The Council has developed measures including progress against key priority actions and performance indicators and reports these to senior managers and the Scrutiny Committee on a quarterly basis.

- An Annual Report articulates the Council's activities and achievements.
- **Members and Officers working together to achieve a common purpose with clearly defined functions and roles:**
 - Senior elected Members and managers work together to deliver the Council's vision.
 - The roles of elected Members and Officers are defined in the Council's Constitution.
 - Official Member spokespersons have been identified for strategic objectives.
 - Terms of reference for Committees and the Council are clearly defined within the Constitution.
 - Clear delegations and accountabilities are laid down in the Constitution.
 - Executive Committee pre-agenda meetings with Members and Management Team ensure informed decision making.
 - Achieving compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council.
 - Financial administration procedures are produced and issued by the Borough Treasurer.
- **Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour:**
 - The Council promotes its culture and value through the codes of conduct which are an integral part of the Council's Constitution. This includes anti-fraud and whistle blowing arrangements. The Constitution was reviewed and amended in 2012 and the amendments were endorsed by Full Council.
 - The expected behaviour of Members and Officers is clearly defined in the constitution.
 - Contract Standing Orders and Financial Regulations have been established and embedded within the organisation.
 - The Council has an effective Internal Audit service.
 - The Standards Committee was stood down in 2012-2013 and the Audit Committee has taken responsibility for promoting and maintaining high standards of conduct.
 - Members and Officers are required to declared interest and these are recorded in the interest register.
 - The Council also records attendance at hospitality events and gifts in a register.
- **Taking informed and transparent decisions which are subject to effective scrutiny and managing risk:**
 - The Council has effective and transparent decision making processes, agendas and minutes are available to the public.

- The Council has effective scrutiny and audit committees with formal Terms of Reference.
 - Members are provided with information and data to allow them to make informed decisions.
 - An effective system of internal control is in place and is designed to manage risk to a reasonable level rather than to eliminate all risk.
 - The Council's risk register is monitored on a quarterly basis by senior Officers and Members.
 - Active health and safety arrangements, including a robust policy and an official Member spokesperson.
 - Devolved financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures, including:
 - Financial awareness training and working closely with service accountants in all aspects of financial management and administration.
 - Formal quarterly budget monitoring reports to the Executive Committee.
 - Active performance management arrangements are in place.
 - A robust complaints and compliments procedure is in place and is widely publicised.
 - Freedom of Information requests are dealt with in accordance with established protocols.
- **Developing the capacity and capability of Members and Officers to be effective:**
 - An induction programme is in place for Officers and Members.
 - All elected Members have personal development plans to improve their knowledge and skills.
 - A Member training and development programme is in operation and a spokesperson for member development.
 - The Council has a corporate training plan for staff development.
 - The Council has appointed a number of "learning" representatives to support staff development.
 - The Council has Section 151 and Monitoring Officers.
- **Engaging with local people and other stakeholders to ensure robust public accountability:**
 - The Council's approach to communication is defined in the consultation strategy.
 - The Council publishes an annual report to inform residents of the Council's financial and service delivery performance.
 -
 - Committee and Council meetings are open to the public, with papers available on the internet.
 - The Council engages by various means with hard to reach groups, such as the Citizens Advice Bureau, the Disability Association, Age Concern and the Blind Society.

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 following paragraphs are extracted from the Head of Internal Audit's Annual Report and provide the opinion for 2011-2012:

This report provides reasonable assurance that the majority of key controls were operating satisfactorily.

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.

There are however, two areas where only Restricted assurance can be provided, which relate to:

- Dalton MUGA Contract
- Risk Management

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.

Dalton MUGA contract:

This recommendation was presented to the Audit Committee at their meeting of 13th December 2012. It was agreed that it was a retrospective recommendation for this contract and there was no action to be taken. However, the Audit Committee agreed to continue to monitor contracts to ensure appropriate documentation was in place. The Committee discussed the Priority 1 recommendation for the Dalton Urban Park and expressed their concerns that

this issue should not arise again. The Borough Treasurer assured Members that there was now a contract checklist in place which guided Officers when preparing contracts to prevent such issues arising in the future.

From 1st April 2013 the Senior Legal Assistant will monitor new contracts to ensure the contract checklist is adhered to.

Risk Management

Internal Audit reviewed the three outstanding recommendations made in Audit Report 11-08 (Business Continuity), dated December 2011. One recommendation has been partially implemented, the outstanding elements being as follows:

- In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should:
 - b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM; Complete
 - c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises; and

Training will be considered when the BCM has been approved

- d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities. (Priority 1)
- e) Will be considered when the BCM has been approved

The other two recommendations remain outstanding, as follows:

- The Council should produce a formally approved and up to date Business Continuity Plan, considering the following potential areas for inclusion:
 - clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures;
 - approving a formal BCM policy/strategy;
 - reviewing and documenting the Business Critical Activities (BCAs) for each of its services;
 - carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA;
 - including a corporate incident management plan which designates a team to manage an incident, sets out procedures and resources to enable services to resume and

identifies accommodation/ communications for the team and key service staff;

- 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. (Priority 1); and
- The Council should ensure that it has a sound infrastructure in place to support its Business Continuity arrangements effectively. (Priority 2)

.The draft Business Continuity Plan was presented to Management Board in June. It is anticipated that the BCP will now be completed in Q2.

G. Financial management

The 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. Significant governance and internal control issues

A number of number of recommendations were made by the Audit Commission in their Annual Governance report for 2011-2012 and these have been addressed during 2012-2013:

Recommendation 1: Introduce robust on-going assurance gathering arrangements to support the Council's annual governance statement.

The Council has undertaken an assurance gathering exercise and has assessed and reported the output. This is deemed to be effective and will be conducted annually to support the annual governance statement.

Recommendation 2: Review treasury management policies in terms of risk and reward on current practice of all deposits held with one banking institution.

"The Borough Treasurer reviewed the security and liquidity of the financial institutions eligible under the counterparty criteria within the Council approved Treasury Strategy in quarter 2. This was deemed to be satisfactory and monies were placed outside of the Council's main banking institution from quarter 3 onwards."

Recommendations 3: Introduce operational risk register to ensure risks are being monitored and managed at an appropriate level.

Management Board has agreed an operational risk register which is monitored by Management Board and the Audit Committee.

We will continue to take steps to address significant governance issues and further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our on-going review.

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 2013/14

J. Certification Statement

The review of the governance arrangements for the financial year 2011-2012 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

Schedule to Assist in Putting the Principles into Practice

5.1 The illustrative tables overleaf show:

- how the principles of good governance should be reflected
- the requirements that need to be reflected in a local code
- examples of systems, processes and documentation that may be used to demonstrate compliance
- self-assessment tools and useful references.

5.2 It should be stressed that authorities will need to assess how far their processes and documentation meet the criteria suggested, otherwise the exercise will become a box ticking process rather than a qualitative exercise. One way to make the exercise more challenging would be to score the authority's arrangements on a scale of 0 to 10, where 10 represents very best practice. This would require the provision of qualitative and/or quantitative data on achievement against the requirements the local code should reflect.

This could be done by adding two extra columns – one for a self-assessment score and one to add plans for improvement.

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

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Exercising strategic leadership by developing and clearly communicating the authority's purpose and vision and its intended outcome for citizens and service users.	<ul style="list-style-type: none"> Develop and promote the authority's purpose and vision 	<ul style="list-style-type: none"> Vision used as a basis for corporate and service planning Community engagement and involvement Communication strategy in respect of corporate objectives has been developed, approved and implemented 		<p>Code of Corporate Governance 2013 core principle 1 focuses on the purpose of the Council.</p> <p>The Medium Term Financial Plan is a financial representation of the Council's vision and supports its' Key Priorities.</p> <p>Key Priority report to the Executive Committee June 2012 (item 20) identifies the Council's priorities until 2015.</p> <p>Planned improvements for 2013/14 The Leader of the Council and the Executive Director have agreed to develop a plan to prioritise and deliver the Council's objectives through consultation, leadership and flexible management.</p>
	<ul style="list-style-type: none"> Review on a regular basis the authority's vision for the local area and its implications for the authority's governance arrangements 	<p>Record of the review of:</p> <ul style="list-style-type: none"> the authority's vision the governance code 		<p>Code of Corporate Governance is reviewed on an annual basis to ensure it reflects current guidance.</p> <p>The Key priority actions are revised on an annual basis and endorsed by the Executive Committee. Key Priority (item 20).</p> <p>Progress against the KP actions are reviewed by the Overview and Scrutiny Committee on a quarterly basis (March 2013) item 42.</p>
	<ul style="list-style-type: none"> Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties 	<ul style="list-style-type: none"> Partnership protocol including an agreement on the role and scope of each partner's contribution Strategic partnership priorities Partnership arrangements 		<p>The Council has clearly defined frameworks and Service Level Agreements. (Council officers have regular formal meetings with major contractors to raise issues and develop improvement initiatives.</p> <p>The financial regulations contained in the constitution (Part 4) regarding external funding and partnership arrangements</p>
	<ul style="list-style-type: none"> Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance 	<ul style="list-style-type: none"> Formal annual report which includes key points raised by external scrutineers and service users' feedback on service delivery Annual financial statements 		<p>The Council publishes an annual report to communicate performance and achievements (Annual Report 2012).</p> <p>The Council publishes a statement of accounts.</p>
Ensuring that users	<ul style="list-style-type: none"> Decide how the quality of 	<ul style="list-style-type: none"> An agreed set of quality 		Service delivery and annual funding is identified in

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
receive a high quality of service whether directly, or in partnership, or by commissioning	<p>service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available</p>	<p>measures for each service element and included in service plans</p> <ul style="list-style-type: none"> • Evidence that views of users and non-users have been received • Evidence that views have been taken into account in service planning and delivery 		<p>the Budget strategy. (item 68). Longer term funding is identified in The Medium Term Financial Plan</p> <p>The Council meets with contractors on a regular basis to monitor the quality of service delivery. (Contract meeting minutes)</p>
	<ul style="list-style-type: none"> • Put in place effective arrangements to identify and deal with failure in service delivery 	<ul style="list-style-type: none"> • Regular reports on the progress of service delivery • Performance trends are established and reported upon • Formal complaints policy and procedures exist and are operating effectively • Evidence that complaints have informed positive service improvement 		<p>The Council has a corporate complaint procedure. Service complaints are monitored by individual services. Complaints against services that are contracted out are monitored at client contractor meetings.</p> <p>Monitoring of the Council's complaints process is reported to the Audit Committee on an Annual basis</p>
Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	<ul style="list-style-type: none"> • Decide how value for money is to be measured and make sure that the authority or partnership has the information needed to review value for money and performance effectively. • Measure the environmental impact of policies, plans and decisions. 	<ul style="list-style-type: none"> • Clear corporate requirement and instruction on how to measure VFM • Corporate procurement policy and strategy • Comparison of information on the authority's economy, efficiency and effectiveness of services with that provided by similar organisations • Evidence that the results are reflected in the authority's performance plans and in reviewing the work of the authority 	<ul style="list-style-type: none"> • Ensure that timely, accurate and impartial financial advice and information is provided to assist in decision making and to ensure that the authority meets its policy and service objectives and provides effective stewardship of public money and value for money in its use 	<p>The Council has a performance management framework which is currently being reviewed.</p> <p>Performance is monitored on a regular basis through the scrutiny Committee.</p> <p>The Council has a VFM strategy, Contract Standing Orders and a purchasing guide to help staff deliver value for money.</p> <p>External assessments are reported in the Annual Governance Report financial implications are assessed and summarised on all reports submitted to the Executive Committee.</p> <p>An external audit VFM conclusion is provided as part of the Annual Governance Report</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
			<ul style="list-style-type: none"> Ensure that the authority maintains a prudential financial framework; keeps its commitments in balance with available resources; monitors income and expenditure levels to ensure that this balance is maintained and takes corrective action when necessary 	<p>The Council's prudential framework is defined in the Budget strategy. Item 68. Budgetary control is strictly observed and monitoring reports are presented to Management Board and the Executive Committee on a quarterly basis. The Council has adopted a specific "reserves and balances" policy.</p>
			<ul style="list-style-type: none"> Ensure compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code on a Prudential Framework for Local Authority Capital Finance and CIPFA's Treasury Management Code 	<p>Prudential indicators agreed with Members prior to each financial year and monitored as part of the Council's quarterly Corporate Financial Monitoring process. (Exec minutes Nov 2011 item 14)</p>

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

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
<p>Ensuring effective leadership throughout the authority and being clear about executive and non-executive functions and of the roles and responsibilities of the scrutiny function</p>	<ul style="list-style-type: none"> • Set out a clear statement of the respective roles and responsibilities of the executive and of the executive's members individually and the authority's approach towards putting this into practice • Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers 	<ul style="list-style-type: none"> • Published job descriptions for the leader of the authority and chief executive • Member/officer protocol • Constitution 	<ul style="list-style-type: none"> • Ensure that the Chief Financial Officer (CFO) reports directly to the Chief Executive and is a member of the leadership team with a status at least equivalent to other members. If different organisational arrangements are adopted, explain the reasons publicly, together with how these deliver the same impact. 	<p>The Council operates under alternative arrangements and has a streamlined committee structure. The roles and responsibilities of Members are defined in the constitution (articles 2 & 11 and part 3). The Code of Corporate governance defines the working relationship between Members and Officers including a protocol on Member / Officer relations. Decision making arrangements are defined in article 11 of the constitution. The potential impact of decisions is assessed in advance and summarised for Members as part of the executive report. Officers and Members meet to discuss the implications of decisions at pre-agenda meetings. The Council has nominated official spokespersons for key areas of the Council's business. Their roles are defined in part 7 of the constitution. Agendas and reports are available on the Council's website prior to meetings. Decisions are published immediately after meetings. Management meeting minutes are available to staff on the intranet. The Chief Financial Officer is a member of the senior management team and reports directly to the Executive Director. Roles and responsibilities are defined in the constitution and the Code of Corporate Governance 2013. Records of decisions are published on the website. Delegated decisions can be "called in" by the scrutiny committees.</p>
<p>Ensuring that a constructive working relationship exists between authority members and officers and that the responsibilities of members and officers are carried out to a high standard</p>	<ul style="list-style-type: none"> • Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the authority taking account of relevant legislation, and ensure that it is monitored and updated. 	<ul style="list-style-type: none"> • Scheme of delegation reviewed at least annually in the light of legal and organisational changes • Standing orders and financial regulations which are reviewed on a regular basis 		<p>The constitution clearly defines the responsibility for functions in Part 3. Codes and protocols are defined in part 5.</p> <p>Rules for decision making are defined in article 11.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
	<ul style="list-style-type: none"> • Make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management 	<ul style="list-style-type: none"> • Statutory provisions • Conditions of employment • Up-to-date job description/specification • Appraisal arrangements • Robust performance management system 	<ul style="list-style-type: none"> • Ensure that the authority's governance arrangements allow the CFO direct access to the Chief Executive Officer and to other leadership team members 	<p>Article 10 of the constitution defines the roles and responsibilities of all officers including the Executive Director.</p> <p>Responsibility and principals for the delegation of decision making is defined in article 1 of the constitution.</p> <p>The Chief Financial Officer is a member of the senior management team and reports directly to the Executive Director.</p> <p>Responsibility for discharging statutory functions is defined in part 3 of the constitution.</p> <p>Rules regarding job descriptions and specifications are defined in part 4 of the constitution and in the Council's recruitment policy.</p> <p>The Council has a performance management framework in place which is regularly reviewed by the Executive Director and Management Board.</p>
	<ul style="list-style-type: none"> • Develop protocols to ensure that the leader and chief executive (or equivalent) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained 	<ul style="list-style-type: none"> • Job descriptions • New chief executive and leader pairing consider how best to establish and maintain effective communication 		<p>The Council operates under alternative arrangements and the Leader does not have executive powers.</p> <p>The role of the Executive Director and Members is defined in part 3 of the constitution.</p>
	<ul style="list-style-type: none"> • Make a senior officer (the S151 officer) responsible to the authority for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for 	<ul style="list-style-type: none"> • Section 151 responsibilities • Statutory provision • Up-to-date job description/specification • The Authority has complied with the <i>CIPFA Statement on the Role of the Chief Financial Officer</i> 	<ul style="list-style-type: none"> • Appoint a professionally qualified CFO whose core responsibilities include those set out in the Statement of the Role of the CFO in Local Government and ensure that they are properly understood throughout the authority 	<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 constitution.</p> <p>The Council produces annual statutory reports including a statement of accounts, budget setting report council tax setting report and a treasury policy.</p> <p>The Council undertakes an annual review of financial</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
	<p>maintaining an effective system of internal financial control</p>	<p><i>in Local Government</i> and has reported on it accordingly in its annual governance statement</p> <ul style="list-style-type: none"> The Authority has complied with the <i>CIPFA Statement on the Role of the Head of Internal Audit in Public Sector Organisations</i> and has reported on it accordingly in its annual governance statement 	<ul style="list-style-type: none"> Ensure that the CFO: <ul style="list-style-type: none"> leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively has a line of professional accountability for finance staff throughout the organisation Ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance Ensure that the appropriate accounting systems, functions and controls are in place so that finances are kept under review on a regular basis. These systems, functions and controls should apply consistently to all activities including partnership arrangements, outsourcing or where the authority is acting in an enabling role 	<p>regulations and Contract Standing Orders.</p> <p>The Chief Financial Officer manages the Council's finances within the Financial Regulation framework that is set out in the constitution</p> <p>The council adopts professional accounting standards on reporting. We comply with legislation and statutory requirements relating to financial matters.</p> <p>Public accountability is at the heart of all financial decisions taken by the Chief Financial Officer.</p> <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. 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>
	<ul style="list-style-type: none"> Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with 	<ul style="list-style-type: none"> Monitoring officer provisions Statutory provision Up-to-date job description/specification 		<p>The Deputy Executive Director is the Monitoring Officer.</p> <p>Statutory provisions are set out in section 5 of the Local Government and Housing Act 1989 and the Local Government Act 2000.</p> <p>Determining the job descriptions for senior officers is defined in part 4 of the constitution.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other	<ul style="list-style-type: none"> Develop protocols to ensure effective communication between members and officers in their respective roles 	<ul style="list-style-type: none"> Member/officer protocol 		<p>The constitution clearly defines the responsibility for functions in Part 3. Codes and protocols are defined in part 5.</p> <p>The Code of Corporate Governance 2013 Principal 2 provides guidance on the importance of officers and Members working together.</p> <p>The Council has a protocol on Member / Officer realtions on page 197 of the Constitution.</p> <p>Council has pre-agenda meetings between Members and senior managers to ensure that agenda items and their implications are understood.</p> <p>The Council has official spokespersons who work closely with officers to manage key areas of the business.</p>
	<ul style="list-style-type: none"> Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process including an effective remuneration panel 	<ul style="list-style-type: none"> Scheme for member remuneration and allowances Robust pay and conditions policies and practices for employees Structured pay scales reflecting competence Established process for grading and appeals procedures 		<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 constitution.</p> <p>The Council has appropriate pay and conditions policies in place.</p> <p>The code of practice for officers is defined in part 5 of the constitution.</p>
	<ul style="list-style-type: none"> Ensure that effective mechanisms exist to monitor service delivery 	<ul style="list-style-type: none"> Key performance indicators have been established and approved for each service element and included in the service plan and are reported upon regularly Reports include detailed performance results and highlight areas where corrective action is necessary 		<p>Performance reports are presented to Management Board and the Overview and Scrutiny Committee on a quarterly basis.</p> <p>Performance of outsourced, services are monitored at contract meetings on a monthly basis.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
	<ul style="list-style-type: none"> • When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority • Ensure that there is clarity about the legal status of the partnership • Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions 	<p>Protocols for partnership working mean that for each partnership there is :</p> <ul style="list-style-type: none"> • a clear statement of the partnership principles and objectives • clarity of each partner's role within the partnership • definition of roles of partnership board members • line management responsibilities for staff who support the partnership • a statement of funding sources for joint projects and clear accountability for proper financial administration • a protocol for dispute resolution within the partnership 		<p>The Council has Service Level Agreements in place to clarify the roles and responsibilities of service delivery partners.</p> <p>Financial Regulations contained in Part 4 of the constitution define external funding arrangements.</p>

3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behavior

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Ensuring authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	<ul style="list-style-type: none"> Ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect 	<ul style="list-style-type: none"> Codes of conduct, annual governance statement Conduct at meetings 		<p>The Code of Corporate Governance 2013 Principal 3 defines the Council's approach to upholding high standards.</p> <p>Part 5 of the constitution contains codes and protocols.</p> <p>The Council supports the development of its staff (skills award).</p> <p>The council undertakes slice groups and other consultation exercises to consider specific issues.</p>
	<ul style="list-style-type: none"> Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols 	<ul style="list-style-type: none"> Members'/officers' code of conduct which acknowledges professional bodies' codes of conduct Performance appraisal Complaints procedures Anti-fraud and anti-corruption policies are up to date and working effectively Induction for new members and staff on standard of behavior expected 		<p>Member and officer codes of conduct are contained in the constitution part 5.</p> <p>The Council operates a performance appraisal scheme.</p> <p>The Council has anti-fraud and corruption policies and has "whistle blowing" arrangements in place.</p> <p>The Council has formal complaints procedure and monitors and responds to service complaints.</p>
	<ul style="list-style-type: none"> Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice 	<ul style="list-style-type: none"> Standing orders, financial regulations and codes of conduct, all reviewed and updated on a regular basis Register of interests (members and staff) Provision of ethical awareness training Procedures for dealing with conflicts of interest Up-to-date register of gifts and hospitality 		<p>The Council has Contract Standing order arrangements.</p> <p>The Council's codes of conduct are in part 5 of the constitution.</p> <p>The Council's financial regulations are in section 20 of the constitution.</p> <p>The Council records declared interests of both Members officers in a register.</p> <p>The Council records all hospitality in a register.</p> <p>The Council has anti-fraud and corruption arrangements in place.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Ensuring that organisational values are put into practice and are effective	<ul style="list-style-type: none"> Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations, and communicate these with members, staff, the community and partners 	<ul style="list-style-type: none"> Codes of conduct Evidence of communicating shared values with members, staff, the community and partners Whistleblowing arrangements are in place and protect individuals raising concerns 		<p>The Council has codes of conduct for Members and officers, which reflect the Council’s values and the expectations of the public. These values are also reflected in principal 3 of the code of governance. The Council has anti-fraud and corruption arrangements in place including a “whistle blowing” facility</p>
	<ul style="list-style-type: none"> Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice 	<ul style="list-style-type: none"> Codes of conduct 	<ul style="list-style-type: none"> Ensure that systems and processes for financial administration, financial control and protection of the authority’s resources and assets are designed in conformity with appropriate ethical standards and monitor their continuing effectiveness in practice 	<p>The Council’s codes of conduct are in part 5 of the constitution. The ethical standards of members are monitored by the Audit Committee. The standards of officers are monitored by the Personnel Department. The Council’s systems and procedures are defined in the financial regulations in the constitution</p>
	<ul style="list-style-type: none"> Develop and maintain an effective standards committee 	<ul style="list-style-type: none"> Terms of reference Regular reporting to full council Examples of responding to complaints about behaviour 		<p>The Standards Committee has been removed and its role is now carried out by the Audit Committee. (Exec report April 2012) item 12 A report from the Audit Committee is standard item on the Council agenda and the Chair of the Audit Committee attends Council to provide additional information.</p>
	<ul style="list-style-type: none"> Use the organisation’s shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority 	<ul style="list-style-type: none"> Decision-making practices Evidence that shared values have guided the decision making 		<p>The decision making process is clearly defined in Part 3 of the constitution</p>
	<ul style="list-style-type: none"> In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners’ behaviour both individually and collectively. 	<ul style="list-style-type: none"> Protocols for partnership working Evidence of agreed values 		<p>The Code of Corporate Governance 2013 sets the respective roles for partnership working.</p>

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

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	<ul style="list-style-type: none"> Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisations for which it is responsible 	<ul style="list-style-type: none"> The role of and responsibility for scrutiny have been established Agenda and minutes of scrutiny meetings Evidence of improvements to proposals as a results of scrutiny An effective internal audit function is resources and maintained 	<ul style="list-style-type: none"> Ensure an effective audit function is resourced and maintained 	<p>The Terms of Reference for scrutiny is set out in article 6 of the constitution. Scrutiny submits reports and recommendations to the Executive Committee. Scrutiny reports annually to full council. The Council has an Audit Committee where Members are given appropriate training to enable them to deliver an effective role. The Council also has an effective internal audit function which provides regular reports including an annual report to the Audit Committee.</p>
	<ul style="list-style-type: none"> Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based 	<ul style="list-style-type: none"> Decision-making protocols Record of decisions and supporting materials Record of professional advice in reaching decisions 		<p>The Council's constitution sets out the responsibility for functions in part 3 and the codes and protocols are set out inn part 5. Article 11 of the constitution defines the decision making process. Committee agendas and reports are published five days in advance of the meetings. The executive decisions are published on the website within two working days of being made.</p>
	<ul style="list-style-type: none"> Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice 	<ul style="list-style-type: none"> Members' and officers' code of conduct which refers to a requirement to declare interests Minutes showing declarations of interest were sought and appropriate declarations made 		<p>The Financial regulations are set out in part 4 of the Council's constitution. Codes of conduct are set out in part 5 of the constitution. The Council has a "declaration of interest" register. The Council has hospitality registers for Members and Officers. Members are invited to declare interests on all committee agendas.</p>
	<ul style="list-style-type: none"> Develop and maintain an effective audit committee (or equivalent) which is independent of the executive and scrutiny functions or make other appropriate arrangements for the discharge of the functions of such a committee 	<ul style="list-style-type: none"> Terms of reference Membership Training for committee members 	<ul style="list-style-type: none"> Ensure that the authority's governance arrangements allow the CFO direct access to the audit committee and external audit 	<p>The Terms of Reference of the Audit Committee is set out in part 3 of the constitution. Membership of the Audit Committee is in line with the political balance rules which are set out in part 4 of the constitution. Training for the Audit Committee is provided by external consultants on annual biennial basis. The Chief Financial Officer attends meetings of the Audit Committee. The Chief Financial Officer has regular meetings with external audit.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
	<ul style="list-style-type: none"> Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints 	<ul style="list-style-type: none"> Complaints procedure Evidence of changes/improvements as a result of complaints received and acted upon 		<p>The Council has a corporate complaints procedure. Service complaints are dealt with by heads of service.</p> <p>The Audit Committee has taken responsibility for promoting and maintaining high standards of conduct.</p>
<p>Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs</p>	<ul style="list-style-type: none"> Ensure that those making decisions, whether for the authority or the partnership, are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications 	<ul style="list-style-type: none"> Discussion between members and officers on the information needs of members to support decision making Agreement on the information that will be provided and timescales Calendar of dates for submitting, publishing and distributing timely reports that are adhered to 	<ul style="list-style-type: none"> Ensure the provision of clear, well presented, timely, complete and accurate information and reports to budget managers and senior officers on the budgetary and financial performance of the authority 	<p>The Council has a Members Training group that meets on a quarterly basis and identifies the training needs of Members.</p> <p>The Council has appointed a spokesperson for Member Development.</p> <p>Members are offered induction training immediately after being elected.</p> <p>Members are given Personal Development plans.</p> <p>Additional training is provided for Members on decision making committees and the Audit Committee</p> <p>The Chief Financial Officer presents quarterly financial reports to senior managers and senior Members. In addition financial information is available to all managers via the intranet.</p>
	<ul style="list-style-type: none"> Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately 	<ul style="list-style-type: none"> The authority complies with the <i>CIPFA Statement on the Role of the Chief Financial Officer in Local Government</i> and reports accordingly in its annual governance statement Record of decision making and supporting materials Meeting reports show details of advice given 	<ul style="list-style-type: none"> Ensure the authority's governance arrangements allow the CFO to bring influence to bear on all material decisions Ensure that advice is provided on the levels of reserves and balances in line with good practice guidance (LAAP – Local Authority Reserves and Balances) 	<p>Legal and financial implications assessed and a summary is provided for Executive reports.</p> <p>The Council has officer and member pre-agenda meetings to ensure the legal and financial implications are understood.</p> <p>The Council has adopted a “reserves and balances” policy.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Ensuring that an effective risk management system is in place	<ul style="list-style-type: none"> Ensure that risk management is embedded into the culture of the authority, with members and managers at all levels recognising that risk management is part of their jobs 	<ul style="list-style-type: none"> Risk management protocol Risk management strategy/policy has been formally approved and adopted and is reviewed and updated on a regular basis Financial standards and regulations Counter-fraud arrangements are in place and operating effectively 	<ul style="list-style-type: none"> Ensure the authority's arrangements for financial and internal control and for managing risk are addressed in annual governance reports Ensure the authority puts in place effective internal financial controls covering codified guidance, budgetary systems, supervisory management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes 	<p>The Council has risk management processes in place including the risk policy and a risk register. These are reviewed regularly by the Audit Committee and Management Board.</p> <p>The financial regulations are contained in the constitution Part 4.</p> <p>The Leader of the Council is the elected member with responsibility for risk management.</p> <p>The Council has a Business Continuity Plan as part of the emergency planning arrangements.</p> <p>The Chief Financial Officer is a member of the senior management team and can influence all material decision.</p> <p>The financial controls are defined in the financial regulations in the constitution.</p> <p>The Council has an effective internal audit function.</p> <p>The Council's financial systems are well developed to provide relevant, accurate and timely information.</p>
	<ul style="list-style-type: none"> Ensure that effective arrangements are in place for whistleblowing are in place to which officers, staff and all those contracting with the authority have access 	<ul style="list-style-type: none"> A whistleblowing policy exists and is reviewed on a regular basis The policy has been made available to members of the public, employees, partners and contractors 		<p>The whistle blowing facility is part of the anti-fraud and corruption policy. It is accessible to all staff via the intranet and in the Personnel Handbook.</p> <p>The Council offers a free anti-fraud hotline which is on the website.</p>
Using their legal powers to the full benefit of the citizens and communities in their area	<ul style="list-style-type: none"> Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine, but also strive to utilise their powers to the full benefit of their communities 	<ul style="list-style-type: none"> Constitution Monitoring officer provisions Statutory provision 		<p>The Council's constitution identifies the purpose of the Council and its roles and functions.</p> <p>The Monitoring Officer undertakes monitoring activities in accordance with article 10 of the constitution.</p>
	<ul style="list-style-type: none"> Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law 	<ul style="list-style-type: none"> Record of legal advice provided by officers 		<p>The Council's constitution identifies the purpose of the Council and its roles and functions.</p> <p>The Monitoring Officer undertakes monitoring activities in accordance with article 10 of the constitution.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
	<ul style="list-style-type: none"> Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes. 	<ul style="list-style-type: none"> Monitoring officer provisions Job description/ specification Statutory provisions 		<p>The roles and responsibilities of officers are defined in article 10 of the constitution. Responsibility for functions is defined in part 3 of the constitution. Job descriptions and specifications are developed by service heads and personnel department to ensure that statutory duties are performed.</p>

5. Developing the capacity and capability of members and officers to be effective

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles	<ul style="list-style-type: none"> Provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis 	<ul style="list-style-type: none"> Training and development plan Induction programme Access to update courses/information/briefings on new legislation 		<p>The Council has a development strategy for Members. All Members have a Personal Development Plan supported by a learning programme. The Council has induction programmes for officer and for Members</p>
	<ul style="list-style-type: none"> 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 authority 	<ul style="list-style-type: none"> Job description/personal specifications Membership of the top management team 	<ul style="list-style-type: none"> Ensure the CFO has the skills, knowledge, experience and resources to perform effectively in both the financial and non financial areas of their role Review the scope of the CFO's other management responsibilities to ensure financial matters are not compromised Provide the finance function with the resources, expertise and systems necessary to perform its role effectively 	<p>The skills required to undertake a role are identified in job specifications. Skill gaps and development opportunities are identified through the appraisal process. All staff have access to training and development pages on the Intranet. The corporate training plan facilitates staff development..</p> <p>The Council has a CIPFA qualified and experienced chief financial officer.</p>
Developing the capability of people with governance responsibilities and evaluating their performance as individuals and as a group	<ul style="list-style-type: none"> Assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively 	<ul style="list-style-type: none"> Training and development plan Performance reviews of officers and members 	<ul style="list-style-type: none"> Embed financial competencies in person specifications and appraisals Ensure that councillors' roles and responsibilities for monitoring financial performance/budget management are clear, that they have adequate access to financial skills and are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities 	<p>The Council has a skill development schedule for Members and officers. The Council has an induction day for members where development needs can be identified. Each Member has a Personal Development Plan The Members training group identifies strategic training needs. The Council has a development strategy for Members.</p>
	<ul style="list-style-type: none"> Develop skills on a continuing basis to 	<ul style="list-style-type: none"> Training and development plan reflects requirements 		<p>The Council has an induction day for members where development needs can be identified.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
	<p>improve performance, including the ability to scrutinize and challenge and to recognise when outside expert advice is needed</p> <ul style="list-style-type: none"> • Ensure that arrangements are in place for reviewing the performance of the executive as a whole and of individual members and agreeing an action plan, which might for example aim to address any training or development needs 	<p>of a modern councilor including:</p> <ul style="list-style-type: none"> - the ability to scrutinise and challenge - the ability to recognise when outside advice is required - advice on how to act as an ambassador for the community - leadership and influencing skills <ul style="list-style-type: none"> • Performance management system • Staff development plans linked to staff appraisals 		<p>The Council provides specialist training for members of the planning and audit committees.</p> <p>The performance of the Executive Committee is monitored by the Council's scrutiny function. Members have personal development plans. An appraisal process for staff is currently being developed.</p>
<p>Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal</p>	<ul style="list-style-type: none"> • Ensure that effective arrangements are in place designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority • Ensure that career structures are in place for members and officers to encourage participation and development 	<ul style="list-style-type: none"> • Strategic partnership frameworks • Stakeholders' forums' terms of reference • Area forums' roles and responsibilities • Residents' panel structure • Succession planning 		<p>The council consults local people and organisations on issues such as the Council's budget, major projects and key service i.e. "housing".</p> <p>The Council has a skill development schedule which supports personal development for officers. All staff have access to training and development pages on the Intranet.</p> <p>corporate training The Council has a skills steering group which actively encourage personal development.</p>

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

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
Exercising leadership through a robust scrutiny function which effectively engages local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships	<ul style="list-style-type: none"> • Make clear to themselves, all staff and the community to whom they are accountable and for what 	<ul style="list-style-type: none"> • Community strategy 		<p>The Council's annual report provides updates on the progress being made.</p> <p>The Council has an effective scrutiny function that provides support and challenge to the decision making committees.</p> <p>The terms of reference for the scrutiny function is set out in article 6 of the constitution.</p>
	<ul style="list-style-type: none"> • Consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required 	<ul style="list-style-type: none"> • Establish a database of stakeholders with whom the authority should engage and for what purpose and a record of an assessment of the effectiveness of any changes 		<p>The Council works in partnership with a number of other institutions to deliver improvements for citizens including Cumbria County Council and the Citizen's advice Bureau.</p> <p>The Council works in partnership with a private sector fitness provider at the Council's leisure centre.</p>
	<ul style="list-style-type: none"> • Produce an annual report on the activity of the scrutiny function 	<ul style="list-style-type: none"> • Annual report 		<p>The scrutiny function submits an annual report to full Council which reports on outcomes from scrutiny reviews and sets out the work plan for the coming year.</p>
Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning	<ul style="list-style-type: none"> • Ensure clear channels of communication are in place with all sections of the community and other stakeholders, including monitoring arrangements, to ensure that they operate effectively 	<ul style="list-style-type: none"> • Community strategy • Citizen survey 		<p>The channels of communication are identified in the consultation strategy.</p> <p>The Council is currently reviewing channels of communication.</p>
	<ul style="list-style-type: none"> • Ensure that arrangements are in place to enable the authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit 	<ul style="list-style-type: none"> • Record of public consultations • Processes for dealing with competing demands within the community 		<p>The arrangements for effective engagement are set out in the consultation strategy.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
	<p>processes for dealing with these competing demands</p>			
	<ul style="list-style-type: none"> Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users, including a feedback mechanism for those consultees to demonstrate what has changed as a result 	<ul style="list-style-type: none"> Partnership framework Communication strategy 		<p>Financial regulations are set out in part 4 of the constitution covers external funding and partnership arrangements.</p> <p>There are various arrangements for monitoring and responding to customer feedback including focus groups and complaints.</p>
	<ul style="list-style-type: none"> Publish an annual performance plan giving information on the authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period 	<ul style="list-style-type: none"> Annual report Annual financial statements Corporate plan Annual business plan 		<p>The Council publishes annual report which contains performance and financial information.</p> <p>The Council publishes annual financial statements. Performance against the corporate priorities is published on a quarterly basis.</p>
	<ul style="list-style-type: none"> Ensure that the authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so 	<ul style="list-style-type: none"> Constitution Freedom of Information Act publication scheme Council tax leaflet Authority website 		<p>The Council is accessible to the public through consultation and access to committees.</p> <p>The Council responds effectively to FOI requests and publishes Council expenditure on the transparency page of the website.</p>

Supporting Principle	The local code should reflect the requirement for local authorities to:	Examples of evidence	Expanded governance requirements	Evidence Gathered
<p>Making best use of human resources by taking an active and planned approach to meet responsibilities to staff</p>	<ul style="list-style-type: none"> Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making 	<ul style="list-style-type: none"> Constitution Adherence to best practice standards in recruitment and staff terms and conditions 		<p>The constitution clearly defines the responsibility for functions in Part 3. Staff are supported in various ways and these are defined in the personnel handbook. The Council has established working groups to identify ways of supporting staff including a learning reps group, equality and diversity group and a Health and safety group. Slice groups are used for specific consultation exercises. The Council publishes a staff magazine on a quarterly basis which provides information on a number of subjects. The magazine is also made available for Members.</p>

AUDIT COMMITTEE		Part One (D) Agenda Item 20
Date of Meeting: 27th June, 2013		
Reporting Officer: Policy Review Officer		
<p>Title: Monitoring Priority 1 Recommendations</p> <p>Summary and Conclusions:</p> <p>Monitoring the implementation of all agreed Internal Audit, Priority 1 Recommendations.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>		

Report

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

To ensure all agreed Internal Audit Priority 1 Recommendations are implemented in a timely manner they are now tracked by Management. There have not been any additions to this list in 2012/13 to date.

Background Papers

Nil

Barrow Borough Council Priority 1 Recommendations 2011/13

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

Audit Report	Recommendation	Responsible Officer	Current position
RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)	<p>The Council should produce a formally approved and up to date Business Continuity Plan, considering the following potential areas for inclusion:</p> <ul style="list-style-type: none"> • clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures; • approving a formal BCM policy/strategy; • reviewing and documenting the Business Critical Activities (BCAs) for each of its services; • carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA; 	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
	<ul style="list-style-type: none"> • including a corporate incident management plan which designates a team to manage an incident, sets out procedures and resources to enable services to resume and identifies accommodation/communications for the team and key service staff; • 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. 		
CATERING CONTRACT – THE FORUM (10-24)	<p>The Council should endeavour to agree contractual terms with Sodexo that demonstrate value for money; or consider market testing the service provision in accordance with the Council's Constitution.</p>	<p>Chief Executive & Assistant Director Community Services</p>	<p>Not Implemented</p> <p>The Council is currently undertaking preparation for the tendering process.</p>

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