BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 28th June, 2012
at 2.00 p.m. (Committee Room No. 4)

A G E N D A

PART ONE

1. To note any items which the Chairman considers to be of an urgent nature.

2. To receive notice from Members who may wish to move any delegated matter non-delegated and which will be decided by a majority of Members present and voting at the meeting.

3. Admission of Public and Press

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

4. Disclosure of Interests.

    A Member with a personal interest in a matter to be considered at this meeting must either before the matter is discussed or when the interest becomes apparent disclose

    1.   The existence of that interest to the meeting.

    2.   The nature of the interest.

    3.   Decide whether they have a prejudicial interest.

    A note on declaring interests at meetings, which incorporates certain other aspects of the Code of Conduct and a pro-forma for completion where interests are disclosed will be available at the meeting.

5. To confirm the Minutes of the meeting held on 6th March, 2012 (copies attached).

6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

(D) 7. Restricted Assurance Levels and Attendance of Senior Officers.

(D) 8. Internal Audit Annual Report 2011-2012.

(D) 9. Internal Audit – Final Reports and representations from Senior Officers as requested by the Chairman.

(D) 10.   Anti-Fraud and Corruption Policies Review.

(D) 11.   Annual Review of Internal Audit 2011-2012.

(D) 12.   Going Concern.

(D) 13.   Audit Committee Work Plan.

(D) 14.   Risk Management.

(D) 15.   Performance Management.

(D) 16.   Annual Governance Statement.

(D) 17.   Monitoring Priority 1 Recommendations.

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

Membership of Committee

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

For queries regarding this agenda, please contact:
    Keely Fisher
    Democratic Services Officer
    Tel: 01229 876313
    Email: ksfisher@barrowbc.gov.uk

Published: 20th June, 2012

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting: 6th March, 2012
at 2.00 p.m.

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

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

28 – Disclosure of Interests

Councillor Burns declared a personal interest in any items relating to Cumbria County Council as she was a Member of that Council.

29 – Minutes

The Minutes of the meeting held on 15th December, 2011 were agreed as a correct record.

30 – Apologies for Absence

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

31 – Audit Commission Reports – Audit Plan 2011/12 and Certification of Claims and Returns – Annual Report

Gina Martlew from the Audit Commission attended the meeting and presented two reports to Members:-

1.   Audit Plan 2011/12; and

2.   Certification of Claims and Returns – Annual Report.

In respect of the Audit Plan, she reported on two significant risks which were relevant to the audit of the accounting statements:-

1.   The 2011/12 Code adopted the requirements of FRS 30 Heritage Assets. A heritage asset was a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for its contribution to knowledge and culture. She would evaluate the management controls the Council had in place to recognise both ownership and the value of heritage assets. She would also undertake testing to check that the Council had accounted for heritage assets in accordance with FRS 30 and IFRS Code.

2.   The Council had changed the payroll system it used during 2011/12, with a new service organisation providing the service from November 2011. Internal Audit had also raised some issues in relation to the old payroll system as used

up to October 2011. She would work with Internal Audit to assess the impact of the control weaknesses identified in the old payroll system on the testing strategy for 2011/12.

Internal Audit's findings and conclusions formed its work on the new payroll system would also be considered. Discussions with the Borough Treasurer would also take place to discuss the impact of Internal Audit's payroll system testing.

A number of additional audit procedures were required to be carried out as a result of the Council using a new service organisation, which provided material payroll figures within the financial statements. She would also carry out detailed payroll testing as part of the final opinion audit ensuring consistency between the two payroll systems and the main financial statements.

Gina Martlew also reported that she would review and report to the National Audit Office on the Council's Whole of Government Accounts return. The extent of the review and the nature of her report were specified by the National Audit Office.

In respect of Value for Money (VFM) it was noted that the Auditor's conclusion on the Council's arrangements was based on two criteria, specified by the Commission. These related to the Council's arrangements for:-

- Securing financial resilience – focusing on whether the Council was managing its financial risks to secure a stable financial position for the foreseeable future; and
- Challenging how the Council secured economy, efficiency and effectiveness – focussing on whether the Council was prioritising its resources within tighter budgets and improving productivity and efficiency.

Gina Martlew reported that she had considered the risks that were relevant to the value for money conclusion and had identified two risks which she would address through her work and would report the findings in the Annual Governance Report.

In respect of the Certification of Claims and Returns – Annual Report, the following key points had been identified:-

1. In 2010/11 the Audit Team had certified seven claims with a total value of over £46,000,000. Of these four claims and returns had been amended due to errors and two claims and returns were issued a qualification letter because there was disagreement or uncertainty over the content of the claim or return or scheme terms and conditions had not been complied with;

2. The fees charges for the certification work in 2010/11 were £41,821. There was a significant increase in the audit fee on the benefits claim as a result of more external audit input compared with that required in 2009/10.

It was noted that there had been changes to the Housing and Council Tax Benefits Scheme claim and National Non Domestic Rates Return for 2010/11. There were also some very minor changes to the Housing finance base data return and the

Pooling of housing capital receipts claim. The value of errors found ranged from £161 to £1,543 and if the error rate for overpaid benefit was extrapolated it could amount to as much as £118,000 in lost subsidy as a result of Council error. The Council needed to ensure that adequate quality assurance processes were in place to minimise the occurrence of error in claimant benefit assessments which lead to over and underpayments. The Council also needed to review Northgate system correction report to allocate non Housing Revenue Account benefits for part week cases for misclassification of expenditure.

RESOLVED:- To note the information.

32 – Risk Management

The Policy Review Officer provided Members with the Council's Risk Register for 2011/12.

He reported that the risk register continued to focus on those business critical risks which were under the control of the Council. There had not been any changes made to the risk register since it was presented to this Committee in December 2011. The Chief Executive would have responsibility for the risks that were previously allocated to the Director of Corporate Services until other arrangements were in place.

The status of these risks and progress against any action plans would continue to be reviewed on a quarterly basis and reported to Management Board, the Leader of the Council and the Audit Committee.

The Risk Register for 2012/13 would be presented to Management Board at their next meeting and would be presented to the Audit Committee in June.

RESOLVED:- To note the information.

33 – Performance Management

The Policy Review Officer submitted a report providing Members with the performance management update for Quarter 3. He reported that the Council had adopted 4 new Key Priorities as follows:-

1. Provide good quality efficient and cost effective services while reducing overall expenditure;

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

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

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

The 4 Key Priorities would be used as the basis for all future business planning and to direct the activity of any spare capacity and resources.

Although at this time there wasn't a formal action plan there were a number of improvement activities being implemented and these included:-

- Undertake a comprehensive service delivery review – Complete;

- Transfer management of waste collection, building cleaning and dog warden services to the street care team to reduce management costs – Complete;

- Undertake a business improvement review of the Development Control service and develop framework for setting local planning fees – Complete;

- Introduce self-financing of Council housing services – Complete;

- Re-let the responsive repair contract – Complete;

- Review housing support services – Complete;

- Update Information Technology and introduce Customer Relations Management service in the Housing department - Subject to delay and had been rolled over to 2012/13;

- Demolish the agreed areas of Marsh Street - On-going expected to be complete in Quarter 4;

- Demolish 100 Abbey Road and carry out external improvements to 102 Abbey Road - On-going; and

- Completion of the all weather soccer centre - The funding for this project was under review.

Performance Indicators

There were a number of national indicators and local indicators where it was appropriate to report data on a quarterly basis. The Council had demonstrated improved performance against these indicators:

- o Collection of Council Tax is marginally higher than Q3 2010/11. The collection of National Non Domestic Tax was significantly lower than the previous year due to the timing of payments the position had recovered in January.
- o The average number of day's sickness absence per member of staff had improved against the same period in 2009/10.
- o There had been a marginal increase in the number of violent crimes attributable to an increase in harassment and public order offences.
- o There had been a decrease in the number of acquisitive crimes particularly household burglaries, the number of robberies remained the same but the number was small (14).
- o There had been a decrease in the number incidences of racial violence hate crime reported and zero incidents of racial damage.

Local indicator for Q3 2011/12

Indicator	Description	Q3 2010/11	Q3 2011/12	Change
9	Percentage of Council tax collected	83.1	83.42	↑
10	Percentage of NNDR collected	90.21	88.19	↓
12	Average number of days sick per member of staff	7.38	6.03	↑
126	Number of burglaries per 1000 households	3.40	2.58	↑
127a	Violent offences per 1000 population	12.67	12.81	↓
127b	Robberies per 1000 population	0.16	0.16	→
128	Vehicle crimes per 1000 population	2.47	1.37	↑
218a	Percentage of abandoned vehicles removed within 24 hours	75	90	↑
	Number of incidences of racial violence	24	15	↑
	Number of incidences of racial Damage	1	0	↑
	Number of hate crimes	34	26	↑

The national indicators show continuing improvements in waste management and street cleanliness.

National Indicator for Q3 2011/12

Indicator	Description	Q3 2010/11	Q3 2011/12	Change
NI 191	Residual waste per household	396	395	↑
N1192	% of waste recycled, composted	37.0	38.1	↑
NI 195a	% of streets that don't meet the cleanliness standard: litter	1	1	→
NI 195b	% of streets that don't meet the cleanliness standard: detritus	2	2	→
NI 195c	% of streets that don't meet the cleanliness standard: graffiti	0	0	→
NI 195d	% of streets that don't meet the cleanliness standard: fly posting	0	0	→

RESOLVED:- To note the information.

34 – Governance Report

The Policy Review Officer submitted a report providing Members with an update on the progress being made towards preparing the Council's Annual Governance Statement.

He reported that the Council was currently collecting evidence to support the six core principles defined in the CIPFA/Solace framework for delivering good governance.

These were:-

1. Focusing on the purpose of the authority 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 values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;

4. Taking informed and transparent decisions which were 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.

It was noted that one piece of evidence was the Code of Corporate Governance which has been updated to include the role of the Chief Financial Officer. A copy of the latest version had been appended to the report.

RESOLVED:- To endorse the Code of Corporate Governance.

35 – Internal Audit – Progress Report April 2011 to February 2012

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

The report contained a statistical summary of the total number of audit recommendations (93). It was noted that 87 had been fully accepted, 5 partly accepted and 1 had not been accepted. Each of the recommendations had been assigned a priority graded 1-3; 1 being major issues and 3 being minor issues. A breakdown of restricted assurance audits had been appended to the report.

The Assistant Director of Regeneration and Community Services had attended the meeting to clarify why variations to the Construction of Link Road Phase II – Cornmill Crossing to North Contracts.

He informed Members that in total there had been 48 variations to the Contract; 8 were at no cost, 20 had a variation of between £400 and £5,000, 10 had a variation of between £6,000 and £12,000, 6 had a variation of between £14,000 and £21,000, and 3 had a variation of between £29,000 and £55,000. There was 1 variation with a saving of between £19,000 and £45,000.

He reported that the overall project had a value of almost £3.5M which balanced within £40,000. He stated that out of the 62 budget heads there was only 1 which had gone over budget by 10% and agreed that this should have been reported to Executive Committee, but was an oversight, however he stated that a number of decision had to be made quickly and due to the size of the project and the number of risks involved he did not wish to risk losing the secured funding as this had to be spent within a certain timeframe.

RESOLVED:- To note the report.

36 – Internal Audit Plan 2012-2013

The Borough Treasurer reported that under Section 151 of the Local Government Act 1972, he had the responsibility to ensure the proper management of the finances of the Council. In order to achieve this, an Internal Audit function needed to be maintained to provide him with the assurance necessary to discharge his duties under Section 151.

He reported that the Internal Audit function examined and evaluated the adequacy of the Council's system of internal controls as a contribution to ensuring that resources were used in an economical, efficient and effective manner.

Internal Audit was an independent and objective appraisal function established by the Council for reviewing the system of internal control. This was in compliance with the Accounts and Audit Regulations 2003 as amended, which specifically required a local authority to maintain an adequate and effective system of internal audit. This work had been delivered by way of a risk-based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which needed to be approved by this Committee.

The proposed programme was:-

Audit	Significance Band	Directorate	Days
ANNUAL AUDITS			
Income Collection	1	**Borough Treasurer's**	15
Housing and Council Tax Benefits	1	**Borough Treasurer's**	35
Council Tax	1	**Borough Treasurer's**	12
Performance Management	2	**Corporate Services**	5
Business Rates (NNDR)	1	**Borough Treasurer's**	10
Risk Management	1	**Corporate Services**	9
Financial Information System	1	**Borough Treasurer's**	9
Budgetary Control	2	**Borough Treasurer's**	9
Treasury Management	2	**Borough Treasurer's**	7
Car Park Meter Income	2	**Regeneration and Community Services**	10

Payroll (inc. Expenses)	**2**	**Borough Treasurer's**	18
Accounts Receivable	**2**	**Borough Treasurer's**	10
Corporate Control/Governance	**2**	**Corporate Services**	3
Periodic Checks	**2**	**Borough Treasurer's**	24
Procurement (inc. Ordering)	**2**	**Corporate Services**	14
Accounts Payable	**2**	**Borough Treasurer's**	10
Housing Rents	**2**	**Regeneration and Community Services**	10
Standing Orders/Financial Regs/Anti Fraud	**2**	**Corporate Services/Borough Treasurers**	10
Housing Non Routine Maintenance	**2**	**Regeneration and Community Services**	15
IT Environment Audits	**1**		25
Contract Audit	**1**		70
RISK ASSESSED SYSTEMS			
Partnership Arrangements	**2**	**Corporate Services**	7
The Forum	**3**	**Corporate Services**	10
Disbursed Homeless Accommodation	**4**	**Regeneration and Community Services**	6
Document Retention	**4**	**Corporate Services**	7
Cemeteries and Crematorium	**4**	**Regeneration and Community Services**	4
Refuse and Recycling (Waste Container Stock)	**4**	**Regeneration and Community Services**	10
Allotments	**5**	**Corporate Services**	7
DESIGNATED ANNUAL AUDIT ACTIVITY			
VFM Reviews/Cash Floats/Receipt Books	-		20
Community Organisations (inc. Mayor's Account)	-		22
Fraud Hotline	-		12
Funding Checks/Grant Claims	-		12
NFI Responsibilities	-		25
AUDIT MANAGEMENT			
Implementation Review	-		12
Probity	-		12
Audit Administration	-		10
Audit Committee	-		6
Audit Management/Planning/Reporting	-		10
External Audit Liaison	-		3
CONTINGENCY	-		5
TOTAL CONTRACT DAYS			**530**

RESOLVED:- To agree to approve the Internal Audit Plan for 2012/13.

37 – Internal Audit – Final Reports

The Borough Treasurer reported that Internal Audit had completed a number of audits in accordance with the approved annual programme. On completion, 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 9 final reports appended for consideration. Assurance levels for these reports were 3 Restricted and 6 Substantial. The reports included:-

1. Catering Contract - The Forum – Restricted Assurance;
2. Performance Management – Substantial Assurance;

3. Risk Management – Restricted Assurance;
4. Accounts Receivable – Substantial Assurance;
5. Park Leisure Centre – Substantial Assurance;
6. Grounds Maintenance – Substantial Assurance;
7. Sutherland Street - Group Repairs – Restricted Assurance;
8. Hartington Street – Substantial Assurance; and
9. IT General Controls - Liberata – Substantial Assurance.

Referring to the Catering Contract Members had been requested to note that a draft contract for the continuation of the service was drawn up by Sodexo in 2007: at the time of the audit review, this had not been agreed and finalised. Members requested the Community Services Manager be invited to the next meeting to discuss the arrangements.

The Borough Treasurer recommended a standing item be placed on future agendas inviting Senior Officers to provide additional information in relation to Restricted Assurance levels if necessary.

RESOLVED:- (i) To note the report;

(ii) To agree for a standing item to be included on future agendas inviting Senior Officers to provide additional information in relation to Restricted Assurance levels if necessary.

REFERRED ITEM

THE FOLLOWING MATTER IS REFERRED TO COUNCIL FOR DECISION

---

37 – Review of Financial Regulations and Contract Standing Orders

The Borough Treasurer submitted a report informing Members that Financial Regulations were required to be reviewed regularly to keep them relevant and current. The Contract Standing Orders had also been reviewed. They were both last reviewed in December 2010.

The reviewed Financial Regulations and Contract Standing Orders were appended to the report.

The main amendments to the Financial Regulations were:-

Reference	Amendment
Whole document	Officer designations updated
Whole document	Presentational amendments
Whole document	A few amendments to the flow of existing text
Section 2.1.d	Regulation reference updated
Section 3	Text relating to value for money removed – relates to Section 8
Section 4.2.b	Strategy/Plan reference updated
Section 6.6	Added to reflect current (also best practice)

Reference	Amendment
Section 8	Added reference to the Bribery Act 2010
Section 8.1.d	Added the requirement to complete the Contract Management Checklist (current practice)
Previous Section 8.5.b	Removed paragraph relating to Cumbria County Council using their Contract Standing Orders instead of the Borough Councils
Section 10.3.b	Added the requirement to complete the Contract Management Checklist (current practice)
Previous Section 10.3.b	Removed paragraph relating to Cumbria County Council using their Contract Standing Orders instead of the Borough Councils
Section 11.3.b	Added fines and licences as issued outside the corporate debtors system
Previous Section 11.10.b	Removed paragraph relating to staff involved taking two weeks leave – relates to Section 16
Section 13.3.a	Amended cheque book to banking facilities
Section 14.4 and 14.5	No text changes, Data now has its own Section
Section 19.6	Added the word bribery
Section 20	Added the word bribery
Previous Section 20.3	The reference to Scrutiny is not relevant in this Section
Section 20.3	The Standards Committee is deleted from April 2012 – Audit Committee assumes these duties
Section 20.6	New paragraph relating to the Bribery Act 2010
Section 21.2	Amended the areas covered by the Audit Commission (presentational)

The main amendments to the Contract Standing Orders were:-

Reference	Amendment
Whole document	Officer designations updated
Whole document	Presentational amendments
Whole document	A few amendments to the flow of existing text
Section 1	European Union tendering requirements set out in more detail
Section 3	New Section added relating to the Selection of Tenderers
Section 4 bullet 6	Additional clause for tender notices
Section 5 2nd paragraph	Text added at the beginning and end to match current practice
Section 6	Final sentence added to match current practice
Section 8	Deleted 'Members' from the assessment of tenders to match current practice
Section 10	Reference to specific Officer removed
Section 13	Reviewed to clarify the issues that must be covered by written contracts – previous points relating to corruption and discrimination deleted incorporated into the new points

Reference	Amendment
Section 14	Added in the exceptions to be in consultation with the Chairman or Vice-Chairman of the Executive Committee
Section 15	Added in the reason for sealing
Section 16	Added the requirement to complete the Contract Management Checklist and the Final Account being checked by Internal Audit prior to payment

RECOMMENDED:- To recommend the Council to approve and adopt the reviewed Financial Regulations and Contract Standing Orders and incorporate them into the Constitution.

The Chairman informed the Committee that Mohamad Saleh, Borough Treasurer would be retiring after 21 years and 6 months service on 15th April, 2012 and requested that the Committee's thanks and appreciation for the support over the years be placed on record.

The meeting closed at 3.35 p.m.

	(D)
# AUDIT COMMITTEE	**Agenda Item 7**
Date of Meeting: 28th June, 2012	
Reporting Officer: Policy Review Officer	

Title: Restricted Assurance Levels and Attendance of Senior Officers

Summary and Conclusions:

At the Meeting of the Audit Committee on 6th March, 2012 it was agreed that there would be a standing item to invite Senior Officers to discuss audit reviews which had been assessed as restricted assurance.

Recommendations:

Agree that the Chair of the Audit Committee determine whether Senior Officers should attend.

Report

Internal Audit undertakes reviews of the Council's systems as defined in the annual audit plan. At the conclusion of each audit, Internal Audit gives an overall opinion on the level of assurance, which they consider is provided by the controls in place and their operation within the system audited. The following classification of assurance levels have been adopted:

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

To provide enhanced assurance, Members agreed to invite Senior Officers to attend the Audit Committee meetings to provide clarification regarding identified

weaknesses. Members agreed that this should be a standing item on future agendas.

To ensure that this is progressed in a timely manner it is recommended that the Chair will request any attendance following receipt of the Agenda. Any Member wishing to request the attendance of Senior Officers should do so through the Chair by the Monday before the meeting.

At the meeting held on 6th March, 2012, it was agreed that the Assistant Director Community Services be invited to today's meeting to discuss issues raised about the Catering Contract (Minute No. 37 refers). Attached is a copy of the Executive Summary of the Catering Contract reported at the last meeting for Members' information.

<u>Background Papers</u>

Nil.

> **BARROW BOROUGH COUNCIL**
>
> **INTERNAL AUDIT FINAL REPORT 10-24**
>
> **CATERING CONTRACT – THE FORUM**

Executive Summary

Introduction

The Council has longstanding contractual arrangements with Sodexo, formerly Gardner Merchant, to manage several of its catering facilities. In 2009/10 Internal Audit reviewed the arrangements at the Dock Museum; the current review relates to The Forum, including catering provided to Barrow Town Hall. The company employs an on-site manager and several local staff on the contract.

In 2000 the Council entered into a five-year contract with Sodexo: in 2003 this was extended to May 2008, continuing thereafter until terminated by either party. The contract included provision for a guaranteed return and an income sharing arrangement at The Forum and for the company to invest in its facilities. A draft contract for the continuation of the service was drawn up by Sodexo in 2007: at the time of the audit review, this had not been agreed and finalised. In 2009 Internal Audit raised concerns/potential weaknesses with the draft contract relating to the Dock Museum; subsequently further concerns have been identified regarding the proposals for The Forum and the Park Leisure Centre, all of which have been reported to the Director of Corporate Services.

Sodexo manages the accounting arrangements for the contract, using its national systems with local access and input of data. Monthly trading statements are produced which form the basis of calculating income due to the Council. The Council is invoiced for events organised at The Forum, cleaning the building and catering supplied to the Town Hall.

In 2009/10, the Council received £21,000 income from The Forum contract in addition to the guaranteed annual return of £8,000 and paid £55,000 for cleaning the building. Catering costs for Barrow Town Hall amounted to £22,000.

Audit Objectives

An audit of this system forms part of the agreed 2010/11 programme. The audit objectives were to evaluate and test the internal controls over the catering contract. The scope and objectives of the audit were discussed and agreed in advance with Sandra Baines, Venue Manager for The Forum.

Audit work included ascertaining the risks associated with the contractual arrangements and testing the internal controls. Details of the audit methodology are provided in Appendix 1.

Key Points
Restricted Assurance
Two major issues
Six important issues
One minor issue

Audit Conclusion – *Restricted Assurance*

The audit review involved accessing accounting data maintained by Sodexo. The company has not provided its local manager with on-line access to its accounting system so that, in certain cases, we were only able to examine summary information without the ability to "drill down" fully into detailed transactions to confirm amounts precisely.

However, as a result of the audit we have concluded that there are significant weaknesses which put some of the system objectives at risk. We have made two Priority 1 recommendations concerning:

- agreeing contractual terms with Sodexo that demonstrate value for money; or consider market testing the service provision in accordance with the Council's Constitution; and

- appreciating the implications of the contract conditions relating to capital expenditure.

In addition, we have made three important recommendations relating to:

- confirming the investment made by Sodexo in the facilities at The Forum and the Dock Museum under its existing commitment;

- obtaining and periodically checking accounting information from the company; and

- obtaining the element of profit share for event income invoiced directly by Sodexo;

and three further important recommendations in respect of the provision of catering at Barrow Town Hall:

- understanding and rationalising the charging methods used by Sodexo;

- reviewing and monitoring the cost of the arrangements; and

- confirming that the arrangements represent value for money.

Finally, we have made one minor recommendation which concerns clarifying adjustments made by the company to invoiced charges.

Management Response

We have received a constructive management response from Keith Johnson, Community Services Manager and Sandra Baines, Venue Manager accepting each of the recommendations and stating, in addition, that the Council are in a transition period with Sodexo at present. There is no current contract in place and the Council are just operating on a month-to-month arrangement. The Community Services Manager has been tasked by the Chief Executive to investigate how catering provision may be offered in future and it is likely that the new arrangement will be based on any supplier providing the Council with an annual fee to run catering services in the Borough.

Acknowledgement

Internal Audit would like to thank staff for their co-operation and assistance during the review and also to acknowledge the help given by Sodexo's local manager.

AUDIT COMMITTEE	**(D)** **Agenda** **Item** **8**
Date of Meeting: **28th June, 2012**	
Reporting Officer: **Borough Treasurer**	

Title: **Internal Audit Annual Report 2011-2012**

Summary and Conclusions:

The Internal Audit Annual Report for 2011-2012 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.

Recommendations:

Members are recommended to receive and note the Internal Audit Report for 2011-2012.

Report

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

The Internal Audit Annual Report for 2011-2012 (**Appendix 1)** will be presented to Members by the Head of Internal Audit.

Background Papers

Nil

BARROW BOROUGH COUNCIL

INTERNAL AUDIT ANNUAL REPORT

2011/12

June 2012

CONTENTS

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 polices, 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, the Audit Commission, 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 2011/12 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.

2011/12 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:

- Risk Management (Business Continuity Management)

- Re-roofing, demolition and elevation repairs at 2-28 Sutherland Street & 96 Crellin Street (Group Repair) Contract

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 as an Appendix to the Annual Governance Statement 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 Chief Executive 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   2011/12 Audit Plan

The Audit Plan for 2011/12 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 2011/12 Annual Plan

A detailed analysis of the current situation regarding the 2011/12 Plan is provided in Appendix A.

The assessment of auditable areas has identified 73 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 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	
	2011/12	**2010/11**	**2011/12**	**2010/11**
Planned	36%	33%	79%	77%
Achieved	33%	25%	77%	62%

2.2   Liaison with external audit

I have liaised with the Audit Commission 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 Audit Commission's approach, in order to provide maximum assurance.

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 2011/12 and 2010/11. 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 2011/12:

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2011/12	31	4	13	25	81	2	6	0	0
2010/11	30	1	3	22	74	7	23	0	0

An assurance level was not applicable for a further report, IT Internet Access and Security.

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 2011/12, and the management responses, analysed in accordance with the above categories.

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

Comparative figures for 2010/11 are as follows:

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2010/11	**86**	2	55	29
Fully Accepted	**84**	2	53	29
Partly Accepted	**1**	0	1	0
Not Accepted	**1**	0	1	0

4.3   Implementation of recommendations

During the year we have reported on the implementation of 172 agreed audit recommendations made in previous reports. The results are as follows:

	Fully Implemented	Not Implemented	Overtaken By Events	TOTAL
2011/12	58	65	49	172
2010/11	58	69	21	148

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 2012/13.

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 2011/12

Audit Assignment	SYSTEM SIGNIFICANCE BAND	Status	Assurance
ANNUAL AUDITS			
Income Collection	1	Final	Substantial
Housing and Council Tax Benefits	1	Final	Substantial
Council Tax	1	Final	Unqualified
Performance Management	2	Final	Substantial
Business Rates (NNDR)	1	Final	Unqualified
Risk Management	1	Final	Restricted
Financial Information System	1	Final	Substantial
Budgetary Control	2	Final	Unqualified
Treasury Management	2	Final	Unqualified
Car Park Meter Income	2	Final	Substantial
Payroll System Review	2	Final	Substantial
Payroll (inc. Expenses)	2	Final	Substantial
Accounts Receivable	2	Final	Substantial
Corporate Control/Governance	2	Complete	-
Periodic Checks	2	Complete	-
Procurement (inc. Ordering)	2	Final	Substantial
Accounts Payable	2	Final	Substantial
Housing Rents	2	Final	Substantial
Standing Orders/ Financial Regs/ Anti-Fraud	2	Findings produced	-
Housing Maintenance (Day to day repairs) (replaced by additional Contract Audit)	2	Cancelled	-
RISK ASSESSED SYSTEMS			
Leisure Centre	3	Final	Substantial
Disabled Facilities Grants	3	Final	Substantial
Insurance	3	Final	Substantial
Asset Register/Property Portfolio (replaced by additional Contract Audit)	3	Cancelled	-
Cemeteries and Crematorium	4	Final	Substantial
Grounds Maintenance	4	Final	Substantial
Personnel	4	Final	Substantial

Audit Assignment	SYSTEM SIGNIFICANCE BAND	Status	Assurance
DESIGNATED ANNUAL AUDIT ACTIVITY			
Receipt Book Checks	-	Final	Substantial
Petty Cash/Floats Spot Checks	-	Complete	-
Other Projects			
Contract Standing Orders Compliance Checklists	-	Complete	-
Community Organisations (including Mayor's Account)			
Hawcoat	-	Complete	-
Abbotsvale	-	Complete	-
Dalton	-	Complete	-
Roosegate	-	Complete	-
Barrow Playing Fields Users Association	-	Ongoing	-
Mayor's Account	-	Complete	-
Funding Checks/Grant Claims			
North Central Barrow Renewal Area Final Claim	-	Complete	-
Inspiring Communities Final Claim	-	Complete	-
Walney Landfill	-	Complete	-
Fraud Hotline	-	Complete	-
NFI Responsibilities	-	Complete	-
IT ENVIRONMENT AUDITS	1		
Internet Access and Security	-	Final	n/a
IT General Controls (Liberata)	-	Final	Substantial
Disaster Recovery Update (NINEVEH)	-	Complete	-

Audit Assignment	SYSTEM SIGNIFICANCE BAND	Status	Assurance
CONTRACT AUDIT	1		
Demolition of Sutherland Street	-	Final	Substantial
Re-roofing, demolition and elevation repairs at 2-28 Sutherland Street & 96 Crellin Street (Group Repair)	-	Final	Restricted
Marsh Street Group Repair	-	Final	Substantial
Waterside Business Park - New Access Road	-	Final	Substantial
Demolition of Arthur Street, Stage 2 Review	-	Complete	-
Ship Inn Piel Island	-	Final	Substantial
Hartington Street Park	-	Final	Substantial
Hindpool Park Extension and Albert Street Flats	-	Final	Substantial
AUDIT MANAGEMENT: IMPLEMENTATION REVIEWS			
Contract Probity	-	Complete	-
Contract Payment Procedures/ Contract Register	-	Complete	-
Streetcare	-	Complete	-
Capital Programme	-	Complete	-
Development Control	-	Complete	-
Client Monitoring (Revenues & Benefits)	-	Complete	-
Forum 28	-	Complete	-
Licensing	-	Complete	-
Barrow Park	-	Complete	-
Allotments	-	Complete	-
Market Complex	-	Complete	-

AUDIT COMMITTEE	**(D)** **Agenda** **Item** **9**
Date of Meeting: **28th June, 2012**	
Reporting Officer: **Borough Treasurer**	

Title: **Internal Audit – Final Reports**

Summary and Conclusions:

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.

Recommendations:

Members are recommended to consider the final report and raise any concerns with the Head of Internal Audit.

Report

There are eleven final reports for consideration (**Appendix 2 to 12**) by Members:

- Receipt Book Checks
- Housing and Council Tax Benefits
- Financial Information System
- Payroll System Review
- Procurement (including Ordering)
- Car Park Meter Income
- The Forum
- Internet Access and Security

Contract Audits

- Waterside Business Park – New Access Road
- Ship Inn Piel Island
- Hindpool Park Extension and Albert Street Flats

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 11-02
RECEIPT BOOK CHECKS

Executive Summary

Since July 1997, Internal Audit has performed compliance testing on all completed Council Receipt Books. 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. Since 2003 a number of Council Departments have ceased to collect income due to the increasing availability of electronic payment methods. There are a small number of departments where this process remains; these are noted on Appendix 1.

Receipt books are used to record each transaction; these are classed as controlled stationery, and as such are issued only to authorised officers.

Audit Objectives

An audit of this system forms part of the agreed 2011/12 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 Systems and Control Accountant, Chris Butler.

A list of all Receipt Books checked and the corresponding Department is included in Appendix 1.

Key Points
Substantial Assurance
Three Previous Recommendations

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound income receipting system, there are weaknesses, which put some of the system objectives at risk. We have not made any new recommendations; however, there are a small number of recommendations outstanding from previous reports.

Internal Audit reviewed the recommendation from the previous audit report 10-01, dated May 2011. This recommendation has been overtaken by events.

Internal Audit also reviewed the one outstanding recommendation from audit report 09-28, dated May 2010. The recommendation has now been implemented.

In addition, Internal Audit reviewed the three outstanding recommendations from Audit report 07-37, dated April 2008. Each recommendation remains outstanding and relates to:

- ensuring that all carbonated copies, within receipt books, are legible and complete;

- following the correct procedure for cancelling receipts; and

- marking the final receipt of the banking with the total amount and date banked.

Management Response

We have received a constructive management response from Chris Butler, Systems and Control Accountant, accepting each of the recommendations.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 11-04
HOUSING & COUNCIL TAX BENEFITS

Executive Summary

Introduction

The Council's Housing and Council Tax Benefits system is administered by an external provider Liberata, under a client/contractor relationship, which has been in existence since 1998. Processing of claims is carried out using a Northgate IT System - iWorld. And this system is interfaced to the Council's key financial systems. There are approximately 8,000 Housing & Council Tax Benefit claims processed each financial year, which attracts subsidy from Central Government of approximately £26million.

Audit Objectives

An audit of this system forms part of the agreed 2011/12 programme. The audit objectives were to evaluate and test the internal controls over the Housing & Council Tax Benefits system. The scope and objectives of the audit were discussed and agreed in advance with Scott Wilson, Liberata Service Team Manager.

Key Points
Substantial Assurance
One minor issue
Three previous recommendations

Audit work included a control evaluation of the system design, and testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system of control, there are weaknesses, which may put the system objectives at risk. We have made one Priority 3 recommendation, which concerns consistently and correctly processing changes in circumstance.

Internal Audit reviewed the six recommendations from the previous audit report 10-04, dated June 2011. Four recommendations have been implemented and two recommendations remain outstanding, which concern:

- correctly awarding backdated benefit decisions; and

- ensuring sufficient time is provided to claimants for the production of required information.

Internal Audit also reviewed the four outstanding recommendations from audit report 09-05, dated June 2010. Three recommendations have been implemented and one recommendation remains outstanding, which concerns ensuring that fraud

investigation case data, returned to the DWP, can readily be traced to source documentation.

Management Response

We have received a constructive management response from Beverley Ross, Service Delivery Manager, Liberata, accepting the recommendation.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 11-09
FINANCIAL INFORMATION SYSTEM

Executive Summary

Introduction

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

Audit Objectives

An audit of this system forms part of the agreed 2011/12 programme. The audit objectives were to evaluate and test the internal controls over the Council's financial information system. The scope and objectives of the audit were discussed and agreed in advance with Chris Butler, systems and Control Accountant.

Key Points
Substantial Assurance
One previous recommendation

Audit work included a control evaluation of the system design, and testing the operation of key controls. In addition, Internal Audit perform routine quarterly checks on control and account reconciliations to confirm that these are prepared appropriately by Council staff. Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

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

Internal Audit reviewed the agreed recommendation made in audit report 10-10 dated May 2011. The recommendation remains outstanding, and concerns producing formal detailed procedures for the performance of all control account reconciliations.

Internal Audit also reviewed the two outstanding recommendations made in audit report 08-11, dated July 2009; the recommendations have been implemented.

Finally, our quarterly reviews of control and suspense account reconciliations identified only minor issues which have been brought to management's attention.

Management Response

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

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 11-13
PAYROLL

Executive Summary

Introduction

Salaries and expenses of Council Officers and Members' allowances and expenses are administered by the Borough Treasurer's Department. Until October 2011, monthly payrolls were processed by Council staff using a package supplied by Selima Software Ltd.

Following two months, during which parallel runs were produced alongside "live" payrolls, processing and payment of salaries and expenses was outsourced to Selima from November 2011. The firm uses an updated version of its software to provide a fully managed service, based on payroll information submitted monthly by Council staff. As a consequence of this change, the Council has been able to reduce its payroll administrative staff.

The March 2012 monthly payroll involved employee costs of approximately £660,000 with net pay of £336,000 to 327 employees and Councillors.

Audit Objectives

An audit of this system forms part of the agreed 2011/12 programme. The audit objectives were to review the transfer from the in-house operation to the managed service and to test the operation of internal controls over the new Payroll bureau arrangement. The scope and objectives of the audit were discussed and agreed in advance with Chris Butler, Chief Accountant (Systems).

Key Points
Substantial Assurance
Five important issues
One minor issue

Audit work comprised testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

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 five Priority 2 recommendations which relate to:

- finalising the service level agreement with Selima;

- producing documented procedures for all aspects of the payroll process;

- restricting access to payroll reports to staff who have payroll responsibilities;

- validating the standing establishment and personal data held on the payroll system; and

- reviewing and documenting validation checks on monthly payroll processing.

In addition, we have made a Priority 3 recommendation, which concerns receiving copies of all exception reports produced from the payroll system.

Management Response

We have received constructive management responses from Sue Roberts, Borough Treasurer, Chris Butler, Chief Accountant (Systems) and Cathy Noade, Principal Personnel Officer, accepting each of the recommendations.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 11-18
PROCUREMENT

Executive Summary

Introduction

The Council's Contract Standing Orders and Purchasing Guide govern procurements valued above and below £100,000 respectively. The Guide states that the Council has adopted the principle that it "aims to deliver value for money when procuring goods, services and supplies. This is balanced with consideration to sustainability, the local economy and fair competition to all providers."

This review examined procurement arrangements which would be covered by the Purchasing Guide, ie those below £100,000. The Council uses framework agreements mainly obtained through competitive tendering for most commonly used items, while other supplies require differing numbers of quotations to be obtained, depending on their value. The Government has expressed a close interest in spending by local government, with its "financial transparency" initiative requiring the publication of all payments over £500 each month.

The Technical Services Unit acts as a source of expertise on procurement, while the Borough Treasurer's Department manages the ordering processes using the Oracle financial system; the Department is planning to introduce a fully "joined up" electronic ordering system using additional features of Oracle within 2012.

Audit Objectives

An audit of this system forms part of the agreed 2011/12 programme. The audit objectives were to evaluate and test controls relating to the Purchasing Guide and ordering systems, particularly compliance with relevant competition requirements. The scope and objectives of the audit were discussed and agreed in advance with Richard Hennah, Technical Services Unit Manager and Chris Butler, Chief Accountant (Systems).

Key Points
Substantial Assurance
Three important issues
One minor issue

Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

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

- ensuring that procurements are made in accordance with the competition requirements of the Purchasing Guide;

- clarifying the correct procedure to be adopted when the required number of quotations for supplies cannot be obtained and when a single specialist supplier is proposed for procurements valued between £2,500 and £5,000; and

- ensuring that official purchase orders are issued for all relevant supplies.

In addition, we have made one Priority 3 recommendation, which concerns ensuring that supplies are obtained at agreed framework prices.

Finally, Internal Audit reviewed the agreed recommendation made in Audit Report 10-09, dated June 2011, which concerned obtaining the correct number of quotations for supplies. This recommendation has been partially implemented and the outstanding portion has been replaced by a new recommendation in this report.

Management Response

We have received constructive management responses from Sue Roberts, Borough Treasurer, and Richard Hennah, Technical Services Unit Manager, accepting each of the recommendations.

Acknowledgement

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

Executive Summary

Introduction

The Council's Parking Services Department are responsible for the collection of income from car park pay and display machines within the Borough. There are currently 24 pay and display machines, from which total income received during 2011/12 was in excess of £712,420. Since November 2010 the Borough Council has provided the facility for car park users to pay using a mobile phone technology via "RingGo", which allows the user to make payment with a credit or debit card rather than using cash at a machine.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test the internal controls over the Car Park Meter Income process. The scope and objectives of the audit were discussed and agreed in advance with Caren Hindle, Parking Services Manager.

Key Points
Substantial Assurance
Two Previous recommendations

Audit work included a control evaluation of the system design, and testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which may put some of the system objectives at risk. We have not made any new recommendations, however; there are a small number of recommendations outstanding from previous Internal Audit reports.

Internal Audit reviewed the two recommendations made in the previous audit report 11-12, dated July 2011. One recommendation has been implemented and one recommendation remains outstanding and relates to updating the parking procedures on a regular basis.

Internal Audit also reviewed the one outstanding recommendation from audit report 10-13, dated July 2010. The recommendation remains outstanding and concerns recording all variances identified between ticket machine audit tickets and cash collected on the 'Car Park Ticket Machine Income' sheets.

Management Response

We have received a constructive management response from Caren Hindle, Parking Service Manager, providing revised implementation status.

Acknowledgement

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

Executive Summary

Introduction

The Forum is the Council's arts venue, providing a varied programme of arts and entertainment events. In addition, the building's facilities are available to hire for functions, private parties, conferences and shows. Since 1 April 2012, The Forum has managed the Council's tourist information point and issued bus passes as an agent of Stagecoach.

In 2011/12, box office income totalled approximately £300,000, with the majority of acts hired on an income-sharing basis; a specialist box office system supplied by Spektrix is used to manage bookings and ticket sales. The events programme is accounted for separately from the Forum's running cost budget, which recorded net operating expenditure of around £600,000 for 2011/12.

Audit Objectives

An audit of this system forms part of the agreed 2012/13 programme. The audit objectives were to evaluate and test specified internal controls in operation at The Forum. The scope and objectives of the audit were discussed and agreed in advance with Sandra Baines, Venue Manager.

Audit work comprised testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Key Points
Substantial Assurance
Three important issues
Three minor issues
One previous recommendation

Audit Conclusion – *Substantial Assurance*

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

- obtaining a signed copy of the contract with Spektrix for the box office system;

- agreeing the box office event income from the Spektrix system to the income recorded in the Oracle accounting system; and

- reconciling the income received from bus passes to the passes issued before paying over the proceeds to Stagecoach.

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

- processing card payments directly through the Spektrix system and increasing the time before Spektrix users are "timed out";

- obtaining a copy of the formal agreement with Stagecoach for the issue of bus passes; and

- investigating, and recording the actions taken, for all significant discrepancies identified in daily income reconciliations.

Internal Audit also reviewed the one agreed outstanding recommendation made in Audit Report 07-33, dated November 2007. The recommendation remains outstanding and relates to reimbursing the petty cash float at least monthly, in accordance with the Council's Petty Cash Procedures.

Management Response

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

Acknowledgement

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

<div style="border: 1px solid black; padding: 10px;">

BARROW BOROUGH COUNCIL

INTERNAL AUDIT FINAL REPORT IT 45

INTERNET ACCESS & SECURITY

</div>

Executive Summary

Introduction

The Internet brings a range of benefits, including prompt communication, access to considerable government and specialist information and the opportunity to broadcast Council information through the internal Intranet and the local web-site.

In addition to the advantages, this technology, particularly connection of the local network to the outside world, presents potential security threats to local systems and data from virus attacks, hacking, or misuse. Controls are available to minimise the risk and impact of these threats.

Audit Objectives

An audit, 'Internet Access & Security' was agreed as part of the Internal Audit IT coverage. The main objective of the audit was to provide reasonable assurance that adequate control exists over the Council's management of Internet access.

Key Points
Five important issues

Audit Conclusion – Assurance - *N/a*

As a result of the audit we have concluded that there are a number of weaknesses which put some of the Council's objectives at risk.   We have made five Priority 2 recommendations which relate to:

- the production and review of a report of excessive use of the Internet by Council Officers;

- identifying an officer to be responsible for monitoring and regularly reporting a summary of attempts to access unsuitable material or blocked sites via the Internet;

- reviewing the wording of the Council's 'Email and Internet Acceptable Use Policy';

- issuing a reminder to all staff regarding access to and use of the Internet; and

- reviewing the effectiveness of the current access control arrangements.

Management Response

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

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 65
WATERSIDE HOUSE – NEW ACCESS ROAD

Executive Summary

Introduction

The purpose of the contracted works was to construct a new site access road from the existing junction on Bridge Road to serve Waterside House, which had a poor access directly off Bridge Approach, and to service the rest of the undeveloped site.

Funding of the works, estimated at £300,000, was originally expected to have attracted European Regional Development Fund support. This funding stream was however lost and the scheme was progressed through the Council's Capital Budget.

Following a retendering exercise, the contract was let to L & W Wilson (Endmoor) Ltd in the sum of £293,332.48. The Final Account was submitted in the sum of £218,136.60, representing a saving of 25.64%.

Audit Objectives

The Council's Financial Regulations require Internal Audit to consider for review all contracts issued prior to the Final Account being paid to the Contractor. The audit objectives were to perform an examination of the interim and final account and associated documentation. Details of the audit methodology are provided in Appendix 1.

Key Points
Substantial Assurance
One important issue
Two minor issues

Audit Conclusion – *Substantial Assurance*

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

We have made one Priority 2 recommendation, which concerns using the Chest procurement system to manage tender opening and safekeeping.

In addition, we have made two Priority 3 recommendations relating to:

- ensuring that contract documents are signed and sealed in accordance with contract conditions; and

- ensuring that contract documents reflect the requirements of its Contract Standing Orders relating to data protection legislation.

Management Response

We have received constructive management responses from Jeff Bright, Deputy Executive Director, and Steve Solsby, Assistant Director (Regeneration), accepting each of our recommendations.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 67
SHIP INN – COMPLETION OF REFURBISHMENT PHASE 4

Executive Summary

Introduction

This project relates to the refurbishment of the Ship Inn, Piel Island, Barrow in Furness. The audit is concerned with the fourth and final phase of the refurbishment of the Inn. The contract was let in the sum of £128,842 to the contractor submitting the lowest tender, Leck Construction Ltd; the lead consultants for the project were Chris Bugler Architects Ltd.

The contractor's initial tender of £158,963 was reduced by £30,121 to revise the mechanical and plumbing elements of the project. The final account is expected at £134,000.34.

Audit Objectives

The Council's Financial Regulations require Internal Audit to consider for review all contracts issued prior to the Final Account being paid to the Contractor. The audit objectives were to perform an examination of the interim and final account and associated documentation. Details of the audit methodology are provided in Appendix 1.

Key Points
Substantial Assurance
Five important issues
Three minor issues

Audit Conclusion – *Substantial Assurance*

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

We have made five Priority 2 recommendations, which concern:

- ensuring that a further authorised purchase order is raised where an agreed budget is expected to be exceeded;

- ensuring that requirements stated within Contract Standing Orders are included fully in contract documents;

- ensuring that requirements stated in appointment letters are mirrored in contract documents;

- recovering damages relating to this contract or issuing an retrospective extension of time; and

- ensuring that all variations to the Contract Sum are supported by authorised Architect's Instructions and are reflected in the Final Account.

In addition, we have made three Priority 3 recommendations relating to:

- including the provision for recording the date and time that tender envelopes were opened within the Tender Opening Register;

- ensuring that Forms of Tender state that the Council is not bound to accept any tender and that the contractor has complied with non-collusion standards; and

- ensuring that contract documents are signed and sealed in accordance with contract conditions.

Management Response

We have received constructive management responses from Jeff Bright, Deputy Executive Director, Steve Solsby, Assistant Director (Regeneration) and Jon Huck, Democratic Services Manager, accepting each of our recommendations.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 69
HINDPOOL URBAN PARK EXTENSION/ DEMOLITION OF ALBERT STREET FLATS

Executive Summary

Introduction

Additional works relating to extending the existing Urban Park and the demolition of a block of flats in Albert Street, Barrow in Furness were added to the Hindpool Urban Park contract which was completed in May 2007 and previously reviewed in Internal Audit Report CR51. This method of commissioning the work avoided a requirement to tender for the works and the preparation of a new contract document, based on the use of the original prime contractor.

Capita Symonds Ltd continued to provide professional services in accordance with their original agreement. The contractor appointed to the initial contract, Hanson Contracting, was appointed to complete the associated works at an estimated cost of £110,939.92. Costs have risen by 9.95% to a potential Final Account of £121,978.31.

Audit Objectives

The Council's Financial Regulations require Internal Audit to consider for review all contracts issued prior to the Final Account being paid to the Contractor. The review concentrated on the documentation for the additional works, the insurance provision cover for the contract and payments made to the contractor.

Key Points
Substantial Assurance
Three important issues

Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

Compensation event certificates were used to authorise the additional work as part of the completed contract for the creation of an Urban Park at Hindpool. While there is nothing to suggest that an appropriate process had not been followed, it should be noted that the appointment of the contractor was made on 4th September 2009, some two and a half years after the original works had been signed off as completed. Therefore, there may have been a risk to the Council in that the contract document was no longer enforceable by either party.

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

We have made three Priority 2 recommendations, concerning:

- the use of compensation event certificates after the completion of the original works;

- the failure to apply the retention provisions when processing payments; and

- the failure to establish the contractor's and sub-contractor's insurance cover prior to allowing them entry to the sites.

Management Response

We have received constructive management responses from Jeff Bright, Deputy Executive Director, and Chris Jones, Housing Renewal Manager, accepting each of the recommendations.

Acknowledgement

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

AUDIT COMMITTEE	**(D)**
Date of Meeting: 28th June, 2012	**Agenda**
Reporting Officer: Borough Treasurer	**Item** **10**

Title: Anti-Fraud and Corruption Policies Review

Summary and Conclusions:

The Authority's Anti-Fraud and Corruption and Whistle Blowing Policies have been reviewed and updated to ensure that they are remain relevant, current and reflect best practice.

The Anti-Fraud and Corruption Policy will be published on the website and the Whistle Blowing Policy on the Intranet.

Recommendations:

Members are recommended to approve the Policies.

<u>**Report**</u>

The Authority currently has an Anti-Fraud and Corruption Policy that included a section on Whistle Blowing. The Policy was last reviewed in 2007.

A review has been undertaken by the Borough Treasurer, the Head of Internal Audit and the Deputy Executive Director.

The existing Policy has been split into an Anti-Fraud and Corruption Policy (**Appendix 13**) for external promotion and a separate Whistle Blowing Policy (**Appendix 14**) for internal promotion.

The Anti-Fraud and Corruption Policy sets out the Authority's commitment to the prevention and detection of fraud and corruption. It outlines the responsibilities of staff, Members and management and sets out the procedures to be followed where suspicion of financial or other irregularity is raised. The Fraud Response Plan has been added to the Policy to highlight the procedure that the Authority will follow once a concern has been raised.

The Whistle Blowing Policy applies to all staff, Members and those contractors working for the Authority on our premises. The Policy sets out the Authority's expectation that serious concerns are raised. The Fraud Response Plan is the same for these concerns, but it is not necessary to repeat it in this Policy. Both Policies will be promoted to staff, Members and others.

In order to ensure that the Policies are current, relevant, and reflect best practice, they will be reviewed and updated on an annual basis.

The Anti-Fraud and Corruption Policy will be published on the website and the Whistle Blowing Policy on the Intranet. Both documents will be promoted to all staff once approved by this committee.

Background Papers

Nil

Anti-Fraud and Corruption Policy

Introduction

This Policy outlines the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards.

The Authority is determined to prevent its utilisation in activities of theft, fraud, bribery and corruption. In order to ensure that, not only, does it minimise opportunities for fraud and corruption to go undetected, but that waste of resources is also minimised, the Authority has set up a series of procedures which are summarised in this Policy.

Proactive measures the Authority is involved with include data matching exercises, for example the National Fraud Initiative, the National Anti-Fraud Network and the Audit Commission's publication "Protecting the Public Purse".

Definitions

Theft

Dishonestly appropriating property belonging to another, with the intention of permanently depriving them.

Fraud

The intentional distortion of financial statements or other records by persons internal or external to the Authority, which is carried out to conceal the misappropriation of assets, or otherwise for gain.

Bribery

The offering, promising, or giving of a financial or other advantage, to a person with the intention of bringing about another's improper performance of an activity, or rewarding such improper performance. Bribery can arise where the acceptance of an advantage, in the knowledge that it is offered, promised or given, constitutes an improper performance of an activity.

Corruption

The offering, giving, soliciting or acceptance of an inducement or reward which may influence the actions taken by the Authority, its Members, or officers. This includes using personal relationships to influence actions.

Risk areas

Fraud can happen whenever staff or people outside the Authority complete official documentation and have the opportunity to take financial advantage of the Authority, especially where adequate checking and validation does not occur. Consequently, the following areas are particularly susceptible to theft, fraud, bribery or corruption:

- Claims from contractors and suppliers.

- Travel and expense claims.

- Cash and cheque receipts.

- Petty cash and cash floats.

- Payroll.

- Purchasing and procurement of contracts.

- Delivery of services under contract, where payments are or may be received.

- Stocks and assets, particularly portable or attractive items.

- Investments.

- Benefits.

- The approval of grants.

- Disposal of assets.

- Development or sale of land.

- Inspections.

- The taking of enforcement action.

- Award of consents or licences.

- Money laundering.

- Council tax discounts.

Principles of public life

As part of the Authority's anti-fraud measures and specifically its approach to creating a transparent and open organisational culture; our Members and officers will adhere to the Seven Principles of Public Life. These are:

Selflessness

Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial benefits for themselves, their family or friends.

Integrity

Holders of public office should not place themselves under any financial obligation to outside individuals or organisations that might influence them in the performance of their duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards, holders of public office should make choices on merit.

Accountability

Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.

Openness

Holders of public office should be as open as possible about all decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

Role of Staff

The Council require all staff to report any suspicions of theft, fraud, bribery or corruption, to enable a proper investigation into the circumstances to be undertaken. If a member of staff does not feel comfortable speaking to their line manager, they should contact the Borough Treasurer, Internal Audit or, where it relates to Benefits, the Benefits Investigation Team. Alternatively, if a member of staff is concerned about the behaviour of another member of staff, they may prefer to contact the Monitoring Officer or the Personnel Manager, who will then involve the Borough Treasurer, if theft, fraud, bribery or corruption is a possibility. (The Council has also adopted a Whistle Blowing Policy, which staff should be aware of.) Staff can also go directly to the External Auditor, or the Police; however, this should only be the case in exceptional circumstances.

Role of Members

All Council Members are expected to report any instances of improper conduct. In addition any suspicions as quoted for staff responsibility should also be raised. Members are expected to play an important role through leading by example and being seen to support the Authority's Policy.

Role of Managers

Theft and Fraud - Whilst it is impossible to create a 100% fraud-proof system, Mangers must ensure that the system they operate includes a reasonable number of effective controls designed to detect and prevent fraud and error. The actions and controls that Mangers should consider are as follows:

- Documenting procedures and controls, and training all staff in their use;

- Ensuring all staff are familiar with the Council's Rules, including revisions etc.;

- Carrying out spot checks to ensure compliance with procedures and regulations;

- Ensuring separation of duties between staff (as far as possible) so that no one person is solely responsible for the initiation through to the completion of a transaction, i.e. authorising a transaction, processing the transaction, collecting cash/cheques where appropriate, receiving goods/services and recording the transaction;

- Assigning appropriate levels of delegation, e.g. orders over a certain value to be signed by a restricted number of staff;

- Rotating staff responsibilities, where possible, to avoid one person always having sole charge over a given area;

- Introducing an adequate "internal check" (at its simplest, this involves an independent officer checking the work/calculations/documentation prepared by the initiating officer. "Internal check" may also mean splitting the processing of a transaction between two or more officers; unless there is extensive collusion between staff, this will reduce the opportunity for fraud);

- Ensuring expenditure is authorised prior to expenses being incurred;

- Ensuring expenses/petty cash claims are supported by receipts;

- Minimising cash/cheques/stock holdings (confirming bankings, cash/cheque balances regularly);

- Reviewing budget monitoring statements, be alert to trends, e.g. falling income or increasing travel expenses and follow up variances;

- Ensuring staff take their proper allocation of holidays and that other staff undertake their duties in their absence. (cover arrangements must be robust); and

- Regularly review processes to identify weak links that may be vulnerable to potential fraud.

Declarations

Members and officers make declarations about interests and influences. All Members annually declare their pecuniary interests, which are recorded in a register held by Democratic Services and are available for public inspection. Members are required to notify any change in their interests within 28 days of that change.

At Council meetings Members formally declare their interest in any matters, which are on the agenda for discussion. Records of these declarations are held by Democratic Services.

Members receiving hospitality or gifts are required to declare the receipt and a register of such declarations is held by Democratic Services.

All staff are required to declare their direct interests and this register is held by Personnel. Staff receiving hospitality or gifts are required to declare the

receipt and a register of these declarations is held by Personnel (wherever possible hospitality and gifts should be firmly refused).

Each of the above mentioned records are available for public inspection at any reasonable time.

Scrutiny and Audit Committees

The Authority has an Overview and Scrutiny Committee that covers the whole range of Authority activities and can look at any aspect of a service under their remit.

The political membership of each Committee is proportionate to the political split of the Authority and the Chairman of the Scrutiny Committees is from the major opposition party.

The Authority's Audit Committee is charged with responsibility of Governance for the Authority and its terms of reference are:

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 order, 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.

Financial Regulations

The fundamental core to the Authority's Anti-Fraud and Corruption Strategy are the Authority's Financial Regulations and Contract Standing Orders and other policies and procedures which are mentioned in and emanate from them. These documents are regularly reviewed and are available on the Council's Intranet and Internet.

Internal Audit

The Authority has an effective Internal Audit Service provided by Furness Audit:

- Answerable to the Borough Treasurer.

- Reporting in detail direct to Management Team.

- Reporting quarterly to the Audit Committee.

- With authority to bypass the usual reporting procedures and go direct to Members or the external auditor if the necessary situation arises.

Internal Audit review the majority of services and functions of the Authority to assist in ensuring the adequacy of the internal control environment. This is performed with services and functions rotating against an assessment of risk, weighted frequency and available resource. In addition, Internal Audit performs periodic spot checks to ensure established controls remain in place.

External Audit

External Audit is provided by the Audit Commission, an independent agency of Government.

The Audit Commission role is set by the Code of Audit Practice, under which they have two specific responsibilities in relation to our accounts and arrangements for securing value for money:

- For the audit of the Authority's financial statements and statements on internal control, they provide an opinion whether the statements present fairly the financial position of the Authority and its expenditure and income, and whether they have been prepared properly in accordance with relevant legislation and applicable accounting standards.

- For the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, they have a duty to satisfy itself that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The code requires that the external auditor give a conclusion on whether such arrangements are satisfactory. In meeting this responsibility they need to review and, where appropriate, examine evidence that is relevant to our corporate and financial management arrangements and report on such arrangements.

Whistle Blowing Policy

The Council has also adopted a Whistle Blowing Policy, available on the Intranet.

Whistle blowing encourages and enables employees to raise serious concerns **within** the Authority rather than overlooking a problem or 'blowing the whistle' outside.

The policy applies to all employees and those contractors working for the Authority on Authority Premises. The policy also applies to Members.

Receipt of concerns from members of the public

The free phone facility **0800 389 2330** operated by Furness Audit is available for members of the public to report their concerns. Callers can either give their names and contact details or remain anonymous.

There is also an online form on the Authority's website which allows Confidential Reporting by email.

All reported concerns (except for reports of housing benefit or council tax benefit abuses – see below) will be confidentially investigated by Furness Audit.

All reports of potential housing benefit or council tax benefit abuses will be investigated by the fraud team within Liberata.

Where investigations show the probability of abuse the matter and findings is to be referred to the Borough Treasurer who will determine, in consultation with fellow members of the Management Team, any follow up action including sanctions and prosecution where appropriate.

Where the Borough Treasurer is seen to have a substantial interest in the abuse, the matter and findings should be referred to another member of the Management Team or if not appropriate, the external auditor.

The availability of the free phone number is advertised on literature, in publications, on the website and in relevant media from time to time.

Fraud response plan

A concern is raised

Internally this may be raised by an officer, or may be detected through management controls or the review work performed by Internal Audit.

Where appropriate, concerns raised internally should be reported to the line manager or Head of Service for an initial investigation to confirm or repudiate suspicions.

External concerns are usually reported to Internal Audit for an initial investigation.

Investigation

Where an initial enquiry suggests fraud etc., the matter is reported to the Borough Treasurer.

Internal Audit will usually be requested to carry out a formal investigation; reporting to the Borough Treasurer or Management Team as appropriate – ensuring that complete and applicable records are maintained to support the investigation.

Action

Following full investigation, if the suspicions are proven, the Borough Treasurer will request the Deputy Executive Director to determine whether any officer should be subject to disciplinary action and to implement that action.

The Borough Treasurer will determine whether it is necessary to inform the external auditor and any other bodies affected by the fraud.

If criminality is suspected, then the matter will be passed to the Police after discussion with the Borough Treasurer and where Members or officers may be involved, the Deputy Executive Director.

Repayment of any loss and prosecution will be sought in all appropriate cases.

Whistle Blowing Policy

What is Whistle Blowing?

Whistle blowing encourages and enables employees to raise serious concerns **within** the Authority rather than overlooking a problem or 'blowing the whistle' outside. Employees are often the first to realise that there is something seriously wrong with an organisation. However, they may not express their concerns as they feel that speaking up would be disloyal to their colleagues or to the Authority.

Our commitment

Barrow Borough Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees, and others that we deal with, who have serious concerns about any aspect of the Authority's work to come forward and voice those concerns, without fear of reprisal, all applicable and genuine disclosures are protected.

Who does the Policy apply to?

The policy applies to all employees, (including those designated as casual hours, temporary, agency, authorised volunteers or work experience), and those contractors working for the Authority on Authority Premises, for example, staff employed by outsourced functions, agency staff, builders. The policy also applies to Members.

The aims of the Policy

- To encourage you to feel confident in raising concerns and to question and act upon concerns about practice.

- To provide avenues for you to raise concerns in confidence and receive feedback on any action taken.

- To ensure that you receive a response to your concerns and that you are aware of how to pursue them if you are not satisfied.

- To reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made a disclosure in good faith.

What types of concern are covered?

To qualify for protection under the Public Interest Disclosure Act 1988, the disclosure must relate to one or more of the following occurring or about to occur:

- Conduct which is an offence or a breach of law.

- Failure to comply with a legal obligation.

- Disclosures related to miscarriages of justice.

- Health and safety risks, including risks to the public as well as other employees.

- Damage to the environment.

- The unauthorised use of public funds.

- Possible fraud and corruption.

- Sexual, physical or other abuse of clients.

- Other unethical conduct.

- Actions which are unprofessional, inappropriate or conflict with a general understanding of what is rights and wrong.

It should be noted that there is a difference between grievance and protected disclosure – a grievance relates to an employee personally, whereas a disclosure relates to, for example, a criminal offence of another person in the workplace.

Safeguards and victimisation

The Authority recognises that the decision to report a concern can be a difficult one to make. If what you are saying is true, you should have nothing to fear because you will be doing your duty to your employer and those for whom you provide a service. The Authority will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action to protect you when you raise a concern in good faith.

Confidentiality

All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish. At the appropriate time, however, you may need to come forward as a witness.

This policy encourages you however to put your name to your concern whenever possible. Please note that:

- Staff must disclose the information in good faith.

- Staff must believe it to be substantially true.

- Staff must **not** act maliciously or make false allegations (this will be viewed as gross misconduct).

- Staff must **not** seek any personal gain.

How to raise a concern

As a first step, you should normally raise concerns with your immediate line manager or their superior. This may depend, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that management is involved you should approach a more senior level of management within your Directorate, it is the Manager's responsibility to ensure the concern is treated seriously, provide in confidence facilities of required, investigated and reported appropriately.

Barrow Borough Council Financial Regulations require that the Borough Treasurer shall be notified of all financial or accounting irregularities or suspected irregularities. This policy does not supersede that requirement; it does in fact provide the opportunity to raise concerns directly to Internal Audit through the designated number.

To make a confidential call please ring the dedicated Whistle Blowing free phone number 0800 389 2330.

AUDIT COMMITTEE	(D) Agenda Item 11
Date of Meeting: **28th June, 2012**	
Reporting Officer: **Borough Treasurer**	

Title: **Annual Review of Internal Audit 2011-2012**

Summary and Conclusions:

An annual review of the effectiveness of the Internal Audit service is required by the Accounts and Audit Regulations 2011.

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.

For the year 2011-2012 a review has been undertaken and this report informs Committee of the findings.

I am satisfied that the Internal Audit service is effective.

Recommendations:

Members are recommended to endorse the review.

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 a 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 2011-2012 – 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 is a 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 a employee of the Authority and is therefore not applicable.

The Internal Audit annual report for 2011-2012

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

Post audit questionnaires

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

1. Assignment planning and fieldwork – the opportunity for you to comment on the scope and objectives of the audit;

2. Assignment planning and fieldwork – the technical knowledge of the auditor;

3. Assignment planning and fieldwork – the auditors understanding of your service and its business needs;

4. Assignment planning and fieldwork – the professional conduct of the auditor;

5. Reporting – clarity of the report/practicality and relevance of the recommendations;

6. Reporting – the report meeting the audit objectives; and

7. Overall assessment – overall assessment of the audit.

The completed questionnaires are returned to the Borough Treasurer and it is my expectation that the service should perform to a good standard which equates to an 80% satisfaction rate. From the questionnaires returned for 2011-2012, the Internal Audit service achieved an 89% satisfaction rate.

Background Papers

Nil

AUDIT COMMITTEE	(D) Agenda Item 12
Date of Meeting: **28th June, 2012**	
Reporting Officer: **Borough Treasurer**	

Title: **Going Concern**

Summary and Conclusions:

The Authority 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.

The accounts of the Authority for the period 1st April, 2011 to 31st March, 2012 have been prepared on a going concern basis. This basis assumes that the Authority 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.

Recommendations:

Members are recommended to agree that the Authority is a going concern and that it is appropriate for the accounts to be prepared on the going concern basis.

Report

International Financial Reporting Standards require the Authority 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 Authority for the period 1st April, 2011 to 31st March, 2012 have been prepared on a going concern basis. This basis assumes that the Authority 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 2012
	Council approved a four year capital programme.	Yes	December 2011
	External Audit provided an unqualified opinion on the accounts for the year ended 31st March 2011.	Yes	September 2011
	Budget Strategy to balance the budget by 2015-2016 approved by Council.	Yes	October 2011
Working capital facility	The Authority's income stream is assessed as sufficient to provide adequate working capital. The Authority's banking arrangement is flexible and can provide temporary cover if required.	Yes	April 2012
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 Authority is preparing to have a local Council Tax Reduction Scheme by the 31st January 2013.	Ongoing	January 2013
	The Authority is aware of the upcoming changes for Universal Credit and NNDR distribution.	Ongoing	Ongoing
	The Authority is proposing to sign up to the DCLG Right to Buy receipt retainment scheme.	Ongoing	June 2012
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. There are no known factors which would result in a cash shortage during 2012-2013.	Ongoing	Ongoing
Contingent liabilities	The Authority does not have any material contingent liabilities either at the present time or forecast which are included in the accounts.	Yes	June 2012

Risk management	The Authority has a risk management process which focuses on the business critical areas of operations and management.	Ongoing	Ongoing
Political environment	The Authority 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 Authority.	Yes	May 2011

Background Papers

Nil

AUDIT COMMITTEE	**(D) Agenda Item 13**
Date of Meeting: **28th June, 2012**	
Reporting Officer: **Borough Treasurer**	

Title: **Audit Committee Work Plan**

Summary and Conclusions:

This report sets out the anticipated work plan for the financial year 2012-2013. This is the first Audit Committee work plan and the intention is to build it up and refine it through 2012-2013 to improve it for future years.

Recommendations:

Members are recommended to approve the work plan for 2012-2013.

Report

In line with best practice the Audit Committee will now have a work plan which identifies its activities and will be reviewed regularly to ensure it enables the committee to fulfil its terms of reference. The work plan will be presented at each committee and any updates will be highlighted.

The items listed are not exclusive as other items can and will be brought to the committee as appropriate.

June meeting

Annual Governance Statement

Going Concern

Annual Review of Internal Audit

Audit Committee Work Plan

Internal Audit Annual Report

Internal Audit Final Reports (individual audits)

Risk Management Report

Performance Management Report

External Audit Reports

September meeting

Statement of Accounts for 2011-2012

Audit Commission – Annual Governance Report for 2011-2012

Letter of Representation for 2011-2012

Audit Committee Work Plan

Internal Audit Final Reports (individual audits)

Risk Management Report

Performance Management Report

External Audit Reports (in addition to the Annual Governance Report)

December meeting

Audit Committee Work Plan

Internal Audit Final Reports (individual audits)

Risk Management Report

Performance Management Report

External Audit Reports

March meeting

Review of Policies

Review of Financial Regulations

Review of Contract Standing Orders

Audit Committee Work Plan

Internal Audit Plan for 2013-2014

Internal Audit Final Reports (individual audits)

Risk Management Report

Performance Management Report

External Audit Reports

Background Papers

Nil

AUDIT COMMITTEE	(D) Agenda Item 14
Date of Meeting: 28th June, 2012	
Reporting Officer: Policy Review Officer	

Title: Risk Management

Summary and Conclusions:

Provide Members with the Council's risk register.

Recommendations:

Members are invited to consider the report and determine whether further action is required.

Report

The risk register for 2012/13 is attached at **Appendix 15** it continues to focus on those business critical risks which are under the control of the Council.

The following risks have been added to the risk register:

Risk 4: The impact of changes to the housing benefit scheme and how they will affect housing rent income.

Risk 5: The impact of reduced grant funding for the Local Council Tax Reduction Scheme (formally Council Tax benefit) will have on the Council's budget.

Risk 8: The impact of a reduction in recycling reward credits on the Council's budget.

Background Papers

Nil

	Threat	Likeli hood	Impact	Score	Potential impact	Mitigating actions	Contingency actions	Responsible Officer
1	The Council faces £5M budget deficit for the period up to 2015	5	5	25	The Council fails to address the budget deficit resulting in the Council having insufficient funds to deliver its statutory duties and contracted services	The Council has set a budget to achieve the savings for 2012/15 but some additional savings will need to be made if the price changes don't generate the expected income	The Council will use some of its reserve funds to reduce the impact on service delivery and the pace of change.	Executive Director and Borough Treasurer
2	Impact of the Council's comprehensive spending review on delivery of services	5	4	20	The spending review will challenge all services and if it is not properly managed may result in a loss of staff moral and customer confidence. The Council tried to minimise compulsory redundancies	The service review has reflected the Council's updated key priorities. Some reduction in service is inevitable given the size of the budget deficit The Council will give a clear statement on priorities and will establish effective internal and external consultation and communication processes.	The Council will use its reserves to control the pace of change to suit the of the organisation and the community	Executive Director and Borough Treasurer
3	Impact of redundancies and recruitment freeze on service delivery and staff.	5	4	20	Voluntary redundancies and vacancies may result in short-term pressure on service delivery with consequential impact on staff moral and customer satisfaction	Business critical posts will be exempt from the recruitment freeze. Any significant impact on service delivery will be communicated internally and externally pending the outcome of the spending review.	The Government has provided a transition grant to meet the costs the redesign of service delivery and any redundancy costs therefore it will not impact on Council Tax payers.	Executive Director and Borough Treasurer

4	Impact of changes to the benefit system on income for the housing Department	5	4	20	75% of the Services income is received through Housing Benefit. At 2012 rents this will equate to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income.	A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan.	The Service has recently reviewed it's Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected.	Housing Manager
5	Local Council Tax Reduction Scheme to be agreed by the 31st January 2013, financed by a direct grant reduced by at least 10%.	5	4	20	The Council has a statutory duty to adopt a local Council Tax Reduction Scheme by the 31st January 2013. There are statutory consultation requirements with the major preceptors and the public. The subsidy previously received is to be reduced nationally by 10% and become a direct grant split between the major preceptors. The Council may pass all or some of the 10% reduction onto claimants, or find savings and efficiencies internally. The grant will be determined by Central Government and will assume caseload and take up changes.	The Council has begun the consultation with Members as early as possible. Guidance was issued by the CLG on the 17th May 2012, but further guidance is expected. Consultation on an 'in principle' scheme will take place with the major preceptors in June/July. Members will be asked to consider the current discounts awarded for council tax liability as these would benefit all the major preceptors. It is necessary to consider the impact of caseload and take up changes locally in addition to potential collection costs.	The 'default' prescribed scheme will be applied to the Council should it fail to agree a local scheme. The funding of the 10% shortfall must be addressed as soon as possible. The local scheme applies for 2013-2014. Cumbria Chief Finance Officers group are working together to implement the Council Tax Reduction Scheme.	Executive Director and Borough Treasurer

6	Failure to deliver Waterfront Barrow regeneration programme	4	4	16	This will damage the profile of barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council has allocated sufficient capital funding to complete the site assembly. The Council and its partners have applied for Regional Growth Funding to support this project.	The project can progress in phases subject to the availability of funding.	Director of Regeneration and Community Services
7	Impact of pay review	4	4	16	Potential staff unrest. Increase in staff costs. Failure to agree the outcomes of the job evaluation process.	Following the implementation of the outcomes of the Council's spending review posts will be allocated salary scales based on the pay review.	An equal pay audit has been undertaken and no significant risks have been identified.	Director of Corporate Services
8	Reduction in recycling reward scheme payments from Cumbria County Council	5	4	20	Cumbria County Council are intending to reduce the value of recycling rewards to the statutory minimum which will reduce the Council's income by £250k per annum.	The Council is reviewing its waste collection and recycling service to reduce the cost of collections	The Council has applied for Weekly Collection Support Scheme funding to allow us to retain weekly waste collections	Assistant director of Community Services
9	The economy remains depressed	3	5	15	This will has a significant impact on the Council's revenue streams and may result in a larger than anticipated deficit	The Council will endeavour to maximise income streams and reduce costs	The Council monitors the budget on a regular basis and can review service delivery if required	Management team
10	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 regular credit checks on our contractors	The Council retains the intellectual property and assets that will support continuity of services	Management team
11	The Council incurs significant uninsured losses	3	4	12	This could have a detrimental impact on the Council's reserves and its reputation	The Council risk management arrangements will minimise uninsured losses.		Borough Treasurer

12	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
13	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
14	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
15	Failure of ICT systems	1	4	4	Failure of ICT systems may adversely affect service delivery	The Council has a disaster recovery strategy in place.		Deputy Executive Director

AUDIT COMMITTEE	**(D) Agenda Item 15**
Date of Meeting: **28th June, 2012**	
Reporting Officer: **Policy Review Officer**	

Title: **Performance Management**

Summary and Conclusions:

Provide Members with the Council's performance management report.

Recommendations:

Members are invited to consider the report and determine whether further action is required.

Report

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

1. **Provide good quality efficient and cost effective services while reducing overall expenditure.**

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

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

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

In 2011/12 there wasn't a formal action plan but there are a number of improvement activities being implemented which included:

- Undertake a comprehensive service delivery review
- Transfer management of waste collection, building cleaning and dog warden services to the street care team to reduce management costs.
- Undertake a business improvement review of the Development Control service and develop framework for setting local planning fees
- Introduce self-financing of Council housing services
- Re-let the responsive repair contract

- Review housing support services
- Update Information Technology and introduce Customer Relations Management service in the Housing department.
- Demolish the agreed areas of Marsh Street
- Demolish 100 Abbey Road and carry out external improvements to 102 Abbey Road
- Completion of the all weather soccer centre.

The actions for 2012/13 are listed below and it is acknowledge that some of the actions will take longer than one year to complete.

KP 1:

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

KP 2:

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

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

- Identify appropriate sites in partnership with Accent Housing to build 27, 3-bedroom social houses.
- Target the £3.442m allocated from the Clusters of Empty Homes fund for the refurbishment of the Barrow Island Flats.

KP 3:

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

KP 4:

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

Progress against these actions together with a more detailed action plan will be reported to the Audit Committee and Management Board on a quarterly basis.

Key Performance Indicators

Table 1 is a list of key indicators identified by Management Board.

The collection of Council Tax and National Non Domestic Rates is similar to the previous year. There has been a significant improvement absence due to sickness

The waste figure indicate that less waste is being generated and more of that waste is being recycled or composted

Local indicators

Indicator	Description	2010/11	2011/12	Change
9	Percentage of Council tax collected	96.8	96.8	→
10	Percentage of NNDR collected	98.01	98.00	→
12	Average number of days sick per member of staff	10.59	8.19	⬆
NI 191	Residual waste per household	544	532	⬆
N1192	% of waste recycled or composted	35.9	36.4	⬆

Management Board have identified key income streams and we will monitor these on a monthly basis and present the information quarterly. Table to shows the indicators and performance against budget for 2011/12

Income 2011/12

Service		Year to date	cumulative		
		Q1	Q2	Q3	Q4
Crematorium	Budget	88,200	176,400	264,600	352,800
	Actual	**58,198**	**158,388**	**276,949**	**410,748**
Cemetery	Budget	24,808	49,615	74,423	99,230
	Actual	**11,539**	**29,420**	**50,668**	**82,331**
Parking	Budget	223,000	446,000	669,000	892,000
	Actual	**143,640**	**305,905**	**469,655**	**628.377**
Recycling	Budget	246,500	493,000	739,500	986,000
	Actual	**0**	**245,600**	**446,613**	**848,626**
Bulky waste	Budget	9,000	18,000	27,000	36,000
	Actual	**13,028**	**25,082**	**34,710**	**45,893**
PLC 1	Budget	187,600	375,200	562,800	750,400
	Actual	**141,532**	**314,314**	**438,991**	**628,487**

Background Papers

Nil.

AUDIT COMMITTEE	**(D)** **Agenda** **Item** **16**
Date of Meeting: **28th June, 2012**	
Reporting Officer: **Policy Review Officer**	

Title: **Annual Governance Statement**

Summary and Conclusions:

Provide Members with the Annual Governance Statement for 2011/12.

Recommendations:

1. Members are invited to consider the report and agree to submit the report and supporting evidence to the District Auditors for their consideration; and

2. The Annual Governance Statement be published on the Council's web site

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 2011/12.

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

The Annual Governance Statement and supporting evidence is attached at **Appendix 16.**

Background Papers

Nil

Annual Governance Statement 2011-2012

Author: Deputy Executive Director
Date published: June 2012
Review date: January 2013

Endorsed by Audit Committee June 2012

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

<u>**Annual Governance Statement – 2011-2012**</u>

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 authority is directed and controlled and the activities through which it accounts to, engages with and leads the community.

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 Authority 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

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

- Chief Executive - Head of Paid Services
- Executive Director
- 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 addition, the above group assisted with a review of the Council's constitution.

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.

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 Authority'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:**

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

  o Senior elected Members and managers work together to deliver the Council's vision.
  o The roles of elected Members and Officers are defined in the Council's Constitution.
  o Official Member spokespersons have been identified for strategic objectives.
  o Terms of reference for Committees and the Council are clearly defined within the Constitution.
  o Clear delegations and accountabilities are laid down in the Constitution.
  o Executive Committee pre-agenda meetings with Members and Management Team ensure informed decision making.
  o Achieving compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council.
  o 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:**

  o 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.
  o The expected behaviour of Members and Officers is clearly defined in the constitution.
  o Contract Standing Orders and Financial Regulations have been established and embedded within the organisation.
  o The Authority has an effective Internal Audit service.

- The Standards Committee will stand 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:**

  o The Council employs a community engagement Officer to enable effective engagement with the public.
  o The Council's approach to communication is defined in the consultation strategy.
  o The Council publishes an annual report to inform residents of the Council's financial and service delivery performance.
  o "Talking Point" is Barrow Borough Council's new online service to help the people of Barrow Borough contact us about local issues.
  o Committee and Council meetings are open to the public, with papers available on the internet.
  o The Council engages by various means with hard to reach groups, such as the Citizens Advice Bureau, Furness Multicultural Forum, 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:

- Risk Management (Business Continuity Management)
- Re-roofing, demolition and elevation repairs at 2-28 Sutherland Street & 96 Crellin Street (Group Repair) Contract"

G. Financial management

The Borough Treasurer is the Officer charged with statutory responsibility for the proper administration of the Authority'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 Authority'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 Authority's Budget Strategy in order to meet the challenge of reduced Central Government funding.

H. Significant governance and internal control issues

A number of issues were raised by the Audit Commission in their Annual Governance report for 2010-2011 and these have been addressed during 2011-2012:

- Review all current and new contracts to ensure the wording is appropriate to the services procured by the Council – *implemented.*
- Ensure all agreed Internal Audit recommendations are implemented in a timely manner – *Priority 1 recommendations are now tracked by Management to ensure their timely implementation.*
- Implement robust assurance gathering arrangements across all departments to support the Annual Governance Statement disclosure – *this is achieved through the Management Board.*
- Ensure all significant weaknesses are identified in the Annual Governance Statement and include a robust action plan setting out how the weaknesses are to be addressed – *these are set out in Section I.*
- Ensure that the tendering and contracting arrangements and practices are further improved – *implemented with the embedded Contract Management Checklist, revisions to the Contract Standing Orders and the findings of Internal Audit contract review work.*

During 2010-2011 four Restricted assurance Internal Audit reports for were issued that did not relate to specific contract audit reviews and the issues raised have been addressed during 2011-2012:

- Residual Waste – *this was a review of the bulky waste and special collection arrangements and the key recommendations have been implemented.*
- IT General Controls Review – *the key recommendations have been implemented including the development of an ICT disaster recovery plan.*
- Catering Contract Sodexho – *this is currently under review by the Assistant Director of Community Services.*
- IT Asset Management – *the key recommendations have been implemented.*

I. Action Plan

The self assessment from Management Team has not highlighted any major issues. However, during 2011-2012 two Restricted Internal Audit reports were issued and these will be addressed during 2012-2013:

Action	Responsible officer	Due date or comment
Risk Management – Business Continuity		
Designate senior officer responsible for business continuity management	Chief Executive	*This is the Director of Regeneration and Community Services and then the Executive Director from the 1st July 2012.*
Define the roles of Management Team and the Incident Management Team	Chief Executive	*This is Management Team and then Management Board from the 1st July 2012.*
Consider business continuity management training requirements	Chief Executive	*Suitable training will be considered when the Business Continuity Plan is agreed.*
Promote business continuity management	Chief Executive	*Staff will be made aware of the Business Continuity Plan through the Intranet.*
An up to date business continuity plan should be produced.	Chief Executive	*This will be actioned by the Executive Director when the new management structure has bedded in.*
Sutherland Street Group Repair		
Completion of specific contract documentation	Deputy Executive Director	*Implemented - more robust arrangements are now in place including contract monitoring summary sheets.*

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   T O Campbell
Chairman of the Audit Committee   Chief Executive
28th June 2012   19th June 2012

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.

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:	Source documents / good practice / other means that may be used to demonstrate compliance	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.	develop and promote the authority's purpose and vision	•• used as a basis for: — corporate and service planning — shaping the community strategy		**Code of Corporate Governance 2012 core principle 1 focuses on the purpose of the Council.** **Business plan identifies the services provided by the Council and how they are funded.** **Key priority report to the Executive Committee September 2011(item 49) identifies the Council's priorities for a four year period.**
	review on a regular basis the authority's vision for the local area and its impact on the authority's governance arrangements	•• governance code		**Code of Corporate Governance 2012 will be reviewed on an annual basis to ensure it reflects current guidance.** **The Key priority actions are revised on an annual basis and endorsed by the Executive Committee. Key priority (item 49).** **Progress against the KP actions are reviewed by the Audit Committee on a quarterly basis (Audit Committee Mar 2012) item 33.**
	ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	•• partnership protocol •• governance code		**The Council has clearly defined frameworks and Service Level Agreements. (Furness Partnership Framework).** **Financial regulations contained in the constitution (Part 4) regarding external funding and partnership arrangements**
	publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	•• annual financial statements •• annual business plan		**The Council publishes an annual report to communicate performance and achievements (Annual Report 2011).** **The Council publishes a statement of accounts.** **The Council produces a summary of accounts**

Supporting Principle	The local code should reflect the requirement for local authorities to:	Source documents / good practice / other means that may be used to demonstrate compliance	Expanded governance requirements	Evidence Gathered
Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	decide how the quality of service for users is to be measured and make sure that the information needed to review service quality effectively and regularly is available	•• this information is reflected in the authority's: — corporate plan — annual business plan — medium-term financial strategy — resourcing plan in order to ensure improvement		**Service delivery and annual funding is identified in the [Budget strategy.](#) (item 68). Longer term funding is identified in the [Medium Term Financial Strategy](#).** **The Council meets with contractors on a regular basis to monitor the quality of service delivery.** **(Contract meeting minutes)**
	put in place effective arrangements to identify and deal with failure in service delivery	•• complaints procedure		**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.**
Ensuring that the authority makes best use of resources and that tax payers and service users receive excellent value for money	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.	•• the results are reflected in authority's performance plans and in reviewing the work of the authority	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	**The Council has a [performance management framework](#) in place.** **The Council undertakes regular performance monitoring and produces an annual report. Performance is monitored by the audit Committee and scrutiny. The Council has a [VFM strategy](#) and a purchasing guide to help staff deliver value for money.** **External assessments are reported in the [Annual Audit Letter](#) and the [Annual Governance Report.](#)** **The financial implications are assessed and summarised on the front page of all reports submitted to the Executive Committee for decision.**
			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	**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.**
			Ensure compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code on a Prudential Framework for Local Authority Capital Finance and Treasury Management Code	**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 13)](#)**

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:	Source documents / good practice / other means that may be used to demonstrate compliance	Expanded governance requirements	Evidence Gathered
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	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	•• constitution •• record of decisions and supporting materials	Ensure that the Chief Financial Officer (CFO) reports directly 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.	**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** **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 (item 16) for key areas of the Council's business. Their roles are defined in part 7 of the constitution.** **Agenda's 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 Chief Executive Officer.**
	set out a clear statement of the respective roles and responsibilities of other authority members, members generally and of senior officers	•• constitution •• record of decisions and supporting materials		**Roles and responsibilities are defined in the constitution and the Code of Corporate Governance 2012.** **Records of decisions are published on the website.** **Delegated decisions can be "called in" by the scrutiny committees.**

Supporting Principle	The local code should reflect the requirement for local authorities to:	Source documents / good practice / other means that may be used to demonstrate compliance	Expanded governance requirements	Evidence Gathered
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	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 when required	•• constitution	Ensure that the authority's governance arrangements allow the CFO direct access to the Chief Executive Officer and to other leadership team members	**The [constitution](#) clearly defines the responsibility for functions in Part 3. Codes and protocols are defined in part 5.** **Rules for decision making are defined in article 11.** **The Chief Financial Officer is a member of the senior management team and reports directly to the Chief Executive Officer.**
	make a chief executive or equivalent responsible and accountable to the authority for all aspects of operational management	•• conditions of employment •• scheme of delegation •• statutory provisions •• job descriptions/specification •• performance management system		**Article 10 of the [constitution](#) defines the roles and responsibilities of all officers including the Chief Executive. Responsibility and principals for the delegation of decision making is defined in article 1 of the constitution. Responsibility for discharging statutory functions is defined in part 3 of the constitution.** **Rules regarding job descriptions and specifications are defined in part 4 of the [constitution](#) and in the Council's recruitment policy.** **The Council has a performance management framework in place which is regularly reviewed by the chief Executive.**
	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	•• new chief executive and leader pairing consider how best to establish and maintain effective communication	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 Ensure that the CFO – 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	**The Council operates under alternative arrangements and the Leader does not have executive powers.** **The role of the Chief Executive and Members is defined in part 3 of the constitution.** **The Chief Financial Officer manages the Council's finances within the Financial Regulation framework that is set out in the [constitution](#)** **The council adopts professional accounting standards on reporting. We comply with legislation and statutory requirements relating to financial matters.** **Public accountability is at the heart of all financial decisions taken by the Chief Financial Officer.**

			organisation	
			Ensure that budget calculations are robust and reserves adequate, in line with CIPFA's guidance	**The budget calculations were carried out in line with CIPFA guidelines.**
			Ensure that the appropriate management 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	
	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 maintaining an effective system of internal financial control	•• section 151 responsibilities •• statutory provision •• statutory reports •• budget documentation •• job description/specification		**The Borough treasurer has been appointed as Section 151 officer.** **Statutory provision is set out in the financial regulations in part 4 of the [constitution](#).** **The Council produces annual statutory reports including a statement of accounts, budget setting report council tax setting report and a treasury policy.** **The Council undertakes an annual review of [financial regulations](#).**
	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	•• monitoring officer provisions •• statutory provision •• job description/specification		**The Director of Corporate Services.** **Statutory provisions are set out in section 5 of the Local Government and Housing Act 1989 and the Local Government Act 2000.** **Determining the job descriptions for senior officers is defined in part 4 of the [constitution](#).**
			Establish a medium term business and financial planning process to deliver strategic objectives including – A medium term financial strategy to ensure sustainable finances	**The Council has a three year [Medium Term Financial Strategy](#) which defines the Council's financial strategy.** **The Council provides on-line financial information on a monthly basis as well as quarterly reporting. [Financial information](#)**

			A robust annual budget process that ensures financial balance	
			A monitoring process that enables this to be delivered	
			Ensure that these are subject to regular review to confirm the continuing relevance of assumptions used	
Ensuring relationships between the authority, its partners and the public are clear so that each knows what to expect of the other	develop protocols to ensure effective communication between members and officers in their respective roles	•• member/officer protocol		**The constitution clearly defines the responsibility for functions in Part 3. Codes and protocols are defined in part 5.** **The Code of Corporate Governance 2012 Principal 2 provides guidance on the importance of officers and Members working together.** **Council has pre-agenda meetings between Members and senior managers to ensure that agenda items and their implications are understood.** **The Council has Official Spokespersons who work closely with officers to manage key areas of the business.**
	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 (if applicable)	•• pay and conditions policies and practices		**Officers pay and conditions are set out in line with the NJC green book.** **Chief Officers pay and conditions are set out in line with the NJC purple book.** **The members allowance scheme is defined in part 6 of the constitution.**
	ensure that effective mechanisms exist to monitor service delivery	•• pay and conditions policies and practices		**The Council has appropriate pay and conditions policies in place.** **The code of practice for officers is defined in part 5 of the constitution.**
	ensure that the organisation's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated	•• vision •• strategy •• corporate plans •• budgets •• performance plan/regime		**The Council's vision was informed by information gathered through consultation exercises and from satisfaction surveys.** **The Council has developed corporate aims and priorities based on delivering the vision.** **An annual action plan is produced and monitored to ensure delivery of the Council's priorities.** **basis (Audit Committee Mar 2012) The Council's budget supports delivery of key priorities through the business plan.**

	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	•• protocols for partnership working. For each partnership there is : — 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		**The Council has Service Level Agreements in place to clarify the roles and responsibilities of partners.** **Financial Regulations contained in Part 4 of the [constitution] define external funding arrangements.**
	when working in partnership: - 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 .			**As above**

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

Supporting Principle	The local code should reflect the requirement for local authorities to:	Source documents / good practice / other means that may be used to demonstrate compliance	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	ensure that the authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect			**The Code of Corporate Governance 2012 Principal 3 defines the Council's approach to upholding high standards.** **Part 5 of the constitution contains codes and protocols.** **The Council supports the development if its staff (skills award).** **The council undertakes slice groups and other consultation exercises to consider specific issues.**
	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	•• members'/officers' code of conduct performance management system •• performance appraisal •• complaints procedures •• anti-fraud and -corruption policy •• member/officer protocols		**Member and officer codes of conduct are contained in the constitution part 5.** **The Council operates a performance appraisal scheme.** **The Council has anti-fraud and corruption policies and has "whistle blowing" arrangements in place.** **The Council has formal complaints procedure and monitors and responds to service complaints.**
	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	•• standing orders •• codes of conduct •• financial regulations		**The Council has Contract Standing order arrangements.** **The Council's codes of conduct are in part 5 of the constitution.** **The Council's financial regulations are in section 20 of the constitution.** **The Council records declared interests of both Members officers in a register.** **The Council records all hospitality in a register.** **The Council has anti-fraud and corruption arrangements in place.**

Supporting Principle	The local code should reflect the requirement for local authorities to:	Source documents / good practice / other means that may be used to demonstrate compliance		Evidence Gathered
Ensuring that organizational values are put into practice and are effective	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	•• codes of conduct		**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.**
	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	•• codes of conduct	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	**The Council's codes of conduct are in part 5 of the [constitution](#).** **The ethical standards of members are monitored by an independently chaired Standards 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](#)**
	develop and maintain an effective standards Committee	•• terms of reference •• regular reporting to the council		**The terms of reference for the standard committee are in Article 8 of the [constitution](#). A report from the Standards Committee is standard item on the Council agenda and the Chair of the Standards Committee attends Council to provide additional information.**
	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	•• decision-making practices		**The decision making process is clearly defined in Part 3 of the [constitution](#)**
	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.	•• protocols for partnership working		**The [Code of Corporate Governance 2012](#) sets the respective roles for partnership working.**

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:	Source documents / good practice / other means that may be used to demonstrate compliance	Expanded governance requirements	Evidence Gathered
Being rigorous and transparent about how decisions are taken and listening and acting on the outcome of constructive scrutiny	•• develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible	•• scrutiny is supported by robust evidence and data analysis	Ensure an effective audit function is resourced and maintained	**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.**
	•• develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	•• decision-making protocols record of decisions and supporting materials		**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.**
	•• 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	•• members' code of conduct		**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 is held by the Council.** **The Council has hospitality registers for Members and Officers.** **The Council has anti-fraud and corruption arrangements in place including a "whistle blowing" facility**
	•• 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	•• terms of reference •• membership •• training for committee members	Ensure that the authority's governance arrangements allow the CFO direct access to the audit committee and external audit	**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 an annual basis.** **The Chief Financial Officer attends meetings of the Audit Committee.** **The Chief Financial Officer has regular meetings with external audit.**
	•• ensure that effective, transparent and accessible arrangements are in place for dealing with complaints	•• complaints procedure		**The Council has a corporate complaints procedure.** **Service complaints are dealt with by heads of service.** **The Audit Committee has taken responsibility for promoting and maintaining high standards of conduct.**

Supporting Principle	The local code should reflect the requirement for local authorities to:	Source documents / good practice / other means that may be used to demonstrate compliance	Expanded governance requirements	Evidence Gathered
Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs	•• 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	•• members' induction scheme •• training for committee chairs	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.	**The Council has a Members Training group that meets on a quarterly basis and identifies the training needs of Members.** **The Council has appointed a spokesperson for Member Development.** **Members are offered induction training immediately after being elected.** **Members a given Personal Development plans.** **Additional training is provided for Members on decision making committee.** **The Chief Financial Officer present quarterly financial reports to senior managers and senior Members. In addition financial information is available to all managers via the intranet.**
	•• 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	•• record of decision making and supporting materials	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)	**Legal and financial implications assessed and a summary is provided for Executive reports.** **The Council has officer and member pre-agenda meetings to ensure the legal and financial implications are understood.** **The Council has adopted a reserves and balances policy.**
			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, supervision, management review and monitoring, physical safeguards, segregation of duties, accounting procedures, information systems and authorisation and approval processes	**The Chief Financial Officer is a member of the senior management team and can influence all material decision.** **The financial controls are defined in the financial regulations in the <u>constitution</u>.** **The Council has an effective internal audit function.** **The Council's financial systems are well developed to provide relevant, accurate and timely information.**

Supporting Principle	The local code should reflect the requirement for local authorities to:	Source documents / good practice / other means that may be used to demonstrate compliance		Evidence Gathered
Ensuring that an effective risk management system is in place	•• 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	•• risk management protocol •• financial standards and regulations		**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.** **The financial regulations are contained in the constitution Part 4.** **The Leader of the Council is the elected member with responsibility for risk management.** **The Council has a Business Continuity Plan as part of the emergency planning arrangements.**
	•• ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the authority have access	•• whistle-blowing policy		**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.** **The Council offers a free anti-fraud hotline which is on the website.**
Using their legal powers to the full benefit of the citizens and communities in their area	•• actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	•• constitution •• monitoring officer provisions •• statutory provision		**The Council's constitution identifies the purpose of the Council and its roles and functions.** **The Monitoring Officer undertakes monitoring activities in accordance with article 10 of the constitution.**
	•• 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			**As above**
	•• 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.	•• monitoring officer provisions •• job description/specification •• statutory provision		**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.**

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:	Source documents / good practice / other means that may be used to demonstrate compliance	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	•• provide induction programmes tailored to individual needs and opportunities for members and officers to update their knowledge on a regular basis	•• training and development plan •• induction programme •• update courses/information		**The Council has a development strategy for Members.** **All Members have a Personal Development Plan which supported by a learning programme.**
	•• 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	•• job description/personal specifications membership of top management team	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	**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..** **The Council has a CIPFA qualified and experience chief financial officer.**
Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group	•• assess the skills required by members and officers and make a commitment to develop those skills to enable roles to be carried out effectively	•• training development plan	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 are provided with appropriate financial training on an ongoing basis to help them discharge their responsibilities	**The Council has a corporate training plan for 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.**

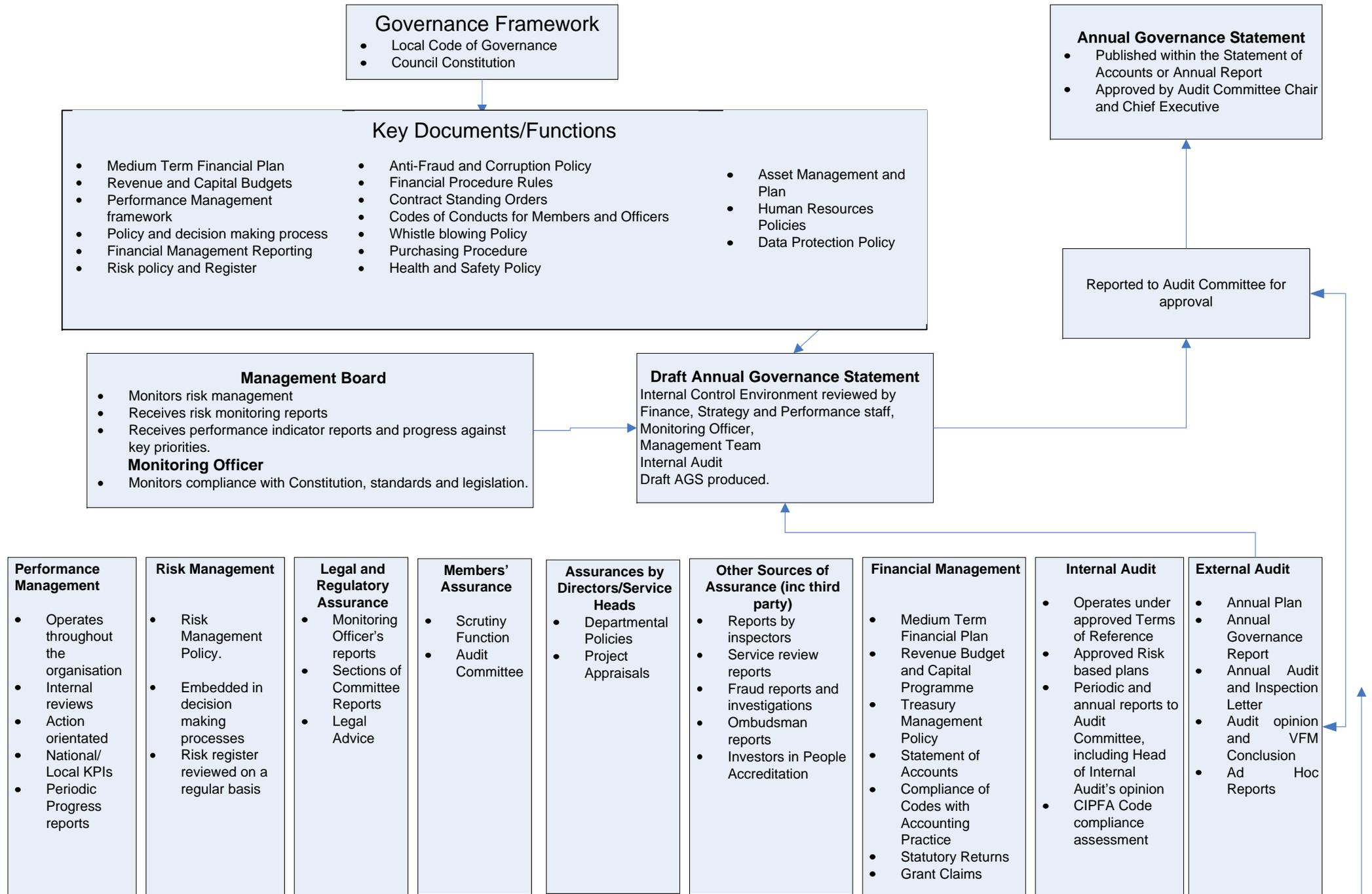|				
	•• develop skills on a continuing basis to improve performance, including the ability to scrutinize and challenge and to recognise when outside expert advice is needed	•• training and development plan reflect requirements of a modern councilor including: — the ability to scrutinise and challenge — the ability to recognise when outside advice is required — advice on how to act as an ambassador for the community — leadership and influencing skills		**The Council has an induction day for members where development needs can be identified.** **The Council provides specialist training for members of the planning and audit committees.**
	•• ensure that effective 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	•• performance management system		**The performance of the Executive Committee is monitored by the Council's scrutiny function.** **Members have personal development plans.**
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	•• ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the authority	•• strategic partnership framework •• stakeholders' forums' terms of reference •• area forums' roles and responsibilities •• residents' panel structure		**The council consults local people and organisations on a wide range of issues to help decide priorities and plan services. These include:** **National place survey and local satisfaction surveys to monitor people's views.** **The Council supports the citizens panel and has regular forums which are chaired independently.** **The Council has a consultation strategy.**
	•• ensure that career structures are in place for members and officers to encourage participation and development	•• succession planning		**The Council has a corporate training plan which supports personal development for officers.** **All staff have access to training and development pages on the Intranet.** **corporate training** **The Council has a skills steering group which actively encourage personal development.**

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:	Source documents / good practice / other means that may be used to demonstrate compliance	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	•• make clear to themselves, all staff and the community to whom they are accountable and for what ••	•• community strategy		**The Council has a consultation strategy which defines how we will consult with the public.** **The Sustainable Community Strategy sets out the vision for the community.** **The Council's annual report provides updates on the progress being made.** **The Council has an effective scrutiny function that provides support and challenge to the decision making committees.** **The term of reference for the scrutiny function is set out in article 6 of the constitution.**
	•• consider those institutional stakeholders to whom the authority is accountable and assess the effectiveness of the relationships and any changes required	•• community strategy		**The Council works in partnership with a number of other institutions to deliver improvements for citizens.**
	•• produce an annual report on the activity of the scrutiny function	•• annual report		**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.**
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	•• ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively	•• community strategy •• processes for dealing with competing demands within the community		**The channels of communication are identified in the consultation strategy.**
	•• hold meetings in public unless there are good reasons for confidentiality	•• community strategy •• processes for dealing with competing demands within the community		**The Council has arrangements whereby citizens can participate in decision making. This is defined in Article 3 of the constitution.**
	•• 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 processes for dealing with these competing demands	•• community strategy •• processes for dealing with competing demands within the community		**The arrangements for effective engagement are set out in the consultation strategy. The processes are developed and monitored by the Council's engagement officer.**

	•• establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result	•• partnership framework •• communication strategy		**Financial regulations are set out in part 4 of the [constitution](#) covers external funding and partnership arrangements.** **There are various arrangements for monitoring and responding to customer feedback including focus groups and complaints.**
	•• on an annual basis, publish a 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	•• annual report •• annual financial statements •• corporate plan •• annual business plan		**The Council publishes an [annual report](#) which contains performance and financial information.** **The Council publishes annual financial statements. Performance against the corporate priorities is published on a quarterly basis.**
	•• 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	•• constitution		**The Council is accessible to the public through consultation and access to committees.** **The Council responds effectively to FOI requests and publishes Council expenditure on the [transparency](#) page of the website.**

Supporting Principle	The local code should reflect the requirement for local authorities to:	Source documents / good practice / other means that may be used to demonstrate compliance	Expanded governance requirements	Evidence Gathered
Making best use of human resources by taking an active and planned approach to meet responsibility to staff	•• develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	•• constitution		**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.**

Appendix 2: ANNUAL GOVERNANCE STATEMENT (AGS) FRAMEWORK

Governance Framework
- Local Code of Governance
- Council Constitution

Annual Governance Statement
- Published within the Statement of Accounts or Annual Report
- Approved by Audit Committee Chair and Chief Executive

Key Documents/Functions

- Medium Term Financial Plan
- Revenue and Capital Budgets
- Performance Management framework
- Policy and decision making process
- Financial Management Reporting
- Risk policy and Register

- Anti-Fraud and Corruption Policy
- Financial Procedure Rules
- Contract Standing Orders
- Codes of Conducts for Members and Officers
- Whistle blowing Policy
- Purchasing Procedure
- Health and Safety Policy

- Asset Management and Plan
- Human Resources Policies
- Data Protection Policy

Reported to Audit Committee for approval

Management Board
- Monitors risk management
- Receives risk monitoring reports
- Receives performance indicator reports and progress against key priorities.

Monitoring Officer
- Monitors compliance with Constitution, standards and legislation.

Draft Annual Governance Statement
Internal Control Environment reviewed by Finance, Strategy and Performance staff,
Monitoring Officer,
Management Team
Internal Audit
Draft AGS produced.

Performance Management	Risk Management	Legal and Regulatory Assurance	Members' Assurance	Assurances by Directors/Service Heads	Other Sources of Assurance (inc third party)	Financial Management	Internal Audit	External Audit
• Operates throughout the organisation • Internal reviews • Action orientated • National/ Local KPIs • Periodic Progress reports	• Risk Management Policy. • Embedded in decision making processes • Risk register reviewed on a regular basis	• Monitoring Officer's reports • Sections of Committee Reports • Legal Advice	• Scrutiny Function • Audit Committee	• Departmental Policies • Project Appraisals	• Reports by inspectors • Service review reports • Fraud reports and investigations • Ombudsman reports • Investors in People Accreditation	• Medium Term Financial Plan • Revenue Budget and Capital Programme • Treasury Management Policy • Statement of Accounts • Compliance of Codes with Accounting Practice • Statutory Returns • Grant Claims	• Operates under approved Terms of Reference • Approved Risk based plans • Periodic and annual reports to Audit Committee, including Head of Internal Audit's opinion • CIPFA Code compliance assessment	• Annual Plan • Annual Governance Report • Annual Audit and Inspection Letter • Audit opinion and VFM Conclusion • Ad Hoc Reports

AUDIT COMMITTEE	**(D)** **Agenda** **Item** **17**
Date of Meeting: 28th June, 2012	
Reporting Officer: Policy Review Officer	

Title: Monitoring Priority 1 Recommendations

Summary and Conclusions:

Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.

Recommendations:

Members are invited to consider the report and determine whether further action is required.

Report

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

To ensure all agreed Internal Audit Priority 1 recommendations are implemented in a timely manner they are now tracked by Management. Progress against the implementation of the Priority 1 recommendations that were agreed in 2011/12 is detailed below:

Background Papers

Nil.

Barrow Borough Council Priority 1 Recommendations 2011/12

Audit Report	Recommendation	Responsible Officer	Current position
PARTIAL DEMOLITION OF A 'DARLINGTON' STEEL PORTAL FRAMED WAREHOUSE & RE-ESTABLISHING STRUCTURE (CR 59)	The Council should ensure that the Final Account submitted by the contractor is fully scrutinised prior to approval for payment; and the additional sum claimed by the Contractor is acceptable.	Assistant Director Regeneration	**Implemented.**
SUTHERLAND STREET – GROUP REPAIRS (CR 63)	The Council should ensure that where appropriate procurement arrangements are evidenced by the completion of specific contract documentation. This will formalise arrangements and provide the Council and relevant contractor with clear understanding and a basis for negotiation should the need arise.	Director of Corporate Services	**Implemented** **More robust arrangements are now in place including contract management checklists.**
RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)	In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should : a) designate a senior officer to be responsible for developing and maintaining its BCM procedures; b) clearly define the roles and responsibilities of the Management	Chief Executive	**Not Implemented** **This action will be completed when the Council's new management structure is "bedded in" post June**

Audit Report	Recommendation	Responsible Officer	Current position
	Team and an Incident Management Team in respect of BCM; c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises; d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities.		
RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)	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)	Chief Executive	**Not Implemented** **This action has been postponed until the Council's new management structure is "bedded in" post June**

Audit Report	Recommendation	Responsible Officer	Current position
	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		

Audit Report	Recommendation	Responsible Officer	Current position
	these arrangements.		
IT General Controls – Liberata (IT 46)	The Council should encourage Liberata to cooperate positively through the provision of information when required. Liberata should be required to provide complete client specific information where requested by the Council; preferably through a letter of authority clarifying the situation. **Any relevant information should be provided in a complete and timely manner and the Council should pursue any information which is missing, incomplete or unsatisfactory.**	Deputy Executive Director	**Implemented** **We will monitor Liberata's response to the next audit.**
CATERING CONTRACT – THE FORUM (10-24)	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.	Chief Executive & Assistant Director Community Services	**Not Implemented** **The Council is currently undertaking preparation for the tendering process.**
CATERING CONTRACT – THE FORUM (10-24)	The Council should: a) be fully aware of, and be satisfied	Assistant Director Community	**Not Implemented** **The Council is currently**

Audit Report	Recommendation	Responsible Officer	Current position
	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.	Services	**undertaking preparation for the tendering process.**