

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Wednesday, 29th September, 2010
at 2.00 p.m.

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 accompanies the agenda and reports for this meeting.

5. To confirm the Minutes of the meeting held on 29th June, 2010 (copy attached).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Audit Commission – Annual Governance Report for the Year 2009-2010.
- (D) 8. Final Accounts for the Year ended 31st March, 2010 – Audit Amendments.

- (D) 9. Letter of Representation 2009-2010.
- (D) 10. Internal Audit – Progress Report April to September 2010.
- (D) 11. Internal Audit – Final Reports.

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

Membership of Committee

Councillors Flitcroft (Chairman)
Unwin (Vice-Chairman)
Jefferson
Maddox
Sweeney
C. Thomson

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BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting: 29th June, 2010
at 2.00 p.m.

PRESENT:- Councillors Flitcroft (Chairman), Unwin (Vice-Chairman), Jefferson, Maddox, Sweeney and C. Thomson.

Also present was Heather Green from the Audit Commission.

1 – The Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985 and Access to Information (Variation) Order 2006 – Urgent Item

RESOLVED:- That by reason of the special circumstances outlined below the Chairman is of the opinion that the following item of business not specified on the agenda should be considered at the meeting as a matter of urgency in accordance with Section 100(B)(4)(b) of the Local Government Act 1972.

<u>Item</u>	<u>Reason</u>
Alterations to the Statement of Accounts to be considered along with Agenda Item No. 11 – Final Accounts for the Year Ended 31st March, 2010 (Minute No. 8).	To enable the amended figures to be considered when dealing with Agenda Item No. 11.

2 – The Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985 and Access to Information (Variation) Order 2006

Discussion arising hereon it was

RESOLVED:- That under Section 100A(4) of the Local Government Act, 1972 the public and press be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 (Minute No. 14) of Part One of Schedule 12A of the said Act.

3 – Minutes

The Minutes of the meeting held on 9th March, 2010 were taken as read and confirmed.

4 – Presentation by the Audit Commission

Heather Green of the Audit Commission attended the meeting and made a presentation to the Committee explaining why Councils have an Audit Committee, the role and position of Audit Committee, the core functions and the roles of External and Internal Audit.

She explained that the role of the Audit Committee was to be able to improve corporate focus on the issues arising from risk management, internal control and reporting. She stated that it may be difficult for Officers and Members to identify what needs to be done to improve or act on significant issues arising from audit work or the review of statement of internal control unless there was a Forum for reviewing such issues and tracking action on what needed to be done.

Ms Green also suggested that Members of the Audit Committee read the CIPFA guidance on the “Practical Guidance for Local Authorities on Audit Committees”. Members questioned Ms Green about various issues raised by the presentation and the Chairman thanked her for the information provided to Members.

RESOLVED:- That the presentation be noted.

5 – Audit Commission – Audit Opinion Plan 2009-2010

Heather Green from the Audit Commission attended the meeting and presented the report to Members on the Audit Commission’s Audit Opinion Plan for 2009-2010.

The plan set out the work which she proposed to undertake for the audit of financial statements for 2009/10. The plan was based on the Audit Commission’s risk-based approach to audit planning and it reflected:-

1. Audit work specified by the Audit Commission for 2009/10;
2. Current national risks relevant to local circumstances; and
3. Local risks.

She reported that there was an inherent risk the financial statements presented for audit may be materially misstated. The Audit Commission had considered the additional risks that were appropriate to the current opinion audit and had set these in Tables 1 and 2 below.

Table 1 Significant risks		
Significant opinion risks that require special audit consideration		
Risk area	Assertions	Audit response
Although International Financial Reporting Standards (IFRS) do not apply to Local Government until 2010/11, the requirements of IFRIC12 on Service Concession Arrangements will apply to Local Government in 2009/10. The Council needs to ensure that it has taken appropriate steps to assess whether it has any arrangements that fall within the scope of IFRIC12 and account for these correctly.	Completeness Existence Rights and Obligations Valuation and Allocation	We will review the assessment undertaken by the Council to assess whether it has any arrangements that fall within the scope of IFRIC12. We will review the accounting treatment of any such arrangements.

Table 2 Significant risks

Specific opinion risks that relate to the Council or an item in the financial statements

Risk area	Assertions	Audit response
<p>The Council should undertake regular checks to ensure that Valuation Office Schedules have been reconciled to the Council Tax and NNDR systems by Liberata during the year. Our review of financial systems during 2009/10 identified that whilst Liberata were undertaking the reconciliations, the Council had not undertaken any checks to ensure the reconciliations were being carried out. This increases the risk that errors may not be identified by the Council.</p>	<p>Completeness Accuracy Occurrence</p>	<p>We will undertake substantive testing to ensure that the opening and closing figures in the NNDR and Council Tax systems can be reconciled to the Valuation Office Schedules.</p>
<p>In 2008/09 I identified a failure in controls for the accounts payable system due to the authorised signatory list not being up to date. We understand that action was taken immediately to rectify this issue, however there remains a risk that this control did not operate effectively during the whole of 2009/10.</p>	<p>Occurrence Accuracy</p>	<p>We will test the operation of this control during the year. We will under substantive testing of expenditure items where I find this control has not been operating effectively.</p>
<p>We review IT arrangements and controls in place at Barrow. This review included assessing the arrangements the Council has in place to obtain assurance over IT controls for the systems operated by Liberata. Internal Audit work is being undertaken on IT controls at Liberata but this is not yet complete. The findings of the Internal Audit review will inform our risk assessment for the opinion audit.</p>	<p>All assertions</p>	<p>We will consider the findings of the Internal Audit review once this is complete. We will consider whether any additional substantive testing is required as a result of the Internal Audit findings.</p>
<p>Internal Audit have undertaken a review of asset management and this concluded that it was difficult to obtain supporting documentation to evidence the</p>	<p>Accuracy Completeness Occurrence Valuation and Allocation</p>	<p>We will undertaken substantive testing of asset transactions in the financial statements.</p>

decisions made in respect of asset transactions and leasing. There is a risk that the Council may not be able to provide sufficient appropriate evidence to support asset transactions in the financial statements.		
Our review of financial systems in 2009/10 identified that control account reconciliations were not always being completed on a timely basis and were not always up to date. There is a risk that where control account reconciliations are not completed on a timely basis, errors may go undetected.	Accuracy Completeness Cut-off	We will review and test year-end control account reconciliations.
The Council is required to include additional disclosures in the 2009/10 accounts in respect of senior managers remuneration. This is a politically sensitive area and the new disclosure may be subject to increased scrutiny.	Accuracy Completeness Classification	We undertake specific substantive testing of the disclosures made by the Council for this new reporting requirement.
Our review of financial systems in 2009/10 has identified that the debt recovery process has not been operating since July 2009 due to a system upgrade. As a result the level of debt outstanding has increased and there is an increased risk that this debt is irrecoverable.	Valuation and Allocation	We will review the level of provision included in the accounts for irrecoverable debt.

On the basis of the risks identified above, Heather Green reported that she would produce a testing strategy which would consist of testing key controls and/or substantive tests of transaction streams and material account balances at year end.

Their testing could be carried out both before and after the draft financial statements had been produced. Their pre-statement testing would focus on gaining assurance that key controls in material systems were operating properly.

Wherever possible, she sought to rely on the work of Internal Audit to help meet their responsibilities.

RESOLVED:- That the report be noted.

6 – Audit Commission – Benefits Service Re-inspection Report

The Borough Treasurer reported that the Audit Commission had carried out a re-inspection of the Council's Benefit Service during January to March 2010. The final report was presented to Members.

Heather Green, the appointed Auditor attended the meeting to present to the report to Members and responded to Members' questions.

Ms Green reported that Barrow Borough Council provided a fair Benefits Service that had uncertain prospects for improvement. This was a re-inspection of the Service following an inspection carried out by the Audit Commission in 2008. Then, the Council was found to be providing a poor Benefits Service with poor prospects for improvement.

The Service had improved processing times for new claims and changes in circumstance which were now processed reasonable promptly. Customers were encouraged to provide evidence to support their claim or change quickly. An appointment scheme was introduced in April 2009 and the Service promised to process claims or changes within two days of the appointment.

The Service could not demonstrate that it was shaped around customers needs and there had been limited engagement and consultation with customers. Customer feedback and complaints were not systematically used to improve service delivery. However, staff had a positive attitude to customer care and customers surveyed were satisfied with the service they had received.

The Service was doing more to encourage local people to claim the benefits they were entitled to and this work had become more targeted and effective. However, there was no formal benefit take-up strategy and the success of activity could not always be measured. Relationships with stakeholders and partners had improved and were helping to make it easier for customers to access the Service through verifying documents and regular liaison.

Appeals and reconsiderations were dealt with well. Fraud and error was effectively tackled and managed, as was overpayment recovery. However, accuracy was a weakness for the service and improvement could not yet be demonstrated.

Value for money was improving. The service remained high cost but had improved in terms of efficiency and effectiveness since the last inspection. However, there were no formal plans to improve value for money in the future. Benchmarking was not being used to drive down costs or improve performance.

There were no longer term plans for the service. The Council had a short-term improvement plan for the Benefits Service but there was no service plan apart from that of the service provider. There were few outcomes defined in the improvement plans to measure success. Whilst a vision statement for the service had been established, there were no detailed long-term aims and objectives showing how this would be delivered and improvements would be made.

The service did not clearly show how it was contributing to the overall aims and objectives of the Council. There were no explicit links between the Council's key priorities and the Benefits Service. Lack of clear linkage to wider corporate aims may mean the service is not helping the Council to deliver its priorities as effectively as it could.

There was not a clear trend of sustained improvement across all key aspects of the service over the last three years. The service did not maximise learning opportunities to identify the service improvements. However, progress had been made on the majority of the recommendations from the previous inspection and there was improved leadership for the service through better contract management.

Members were concerned about the Audit Commission's claims that the service had uncertain prospects for improvement and questioned the Appointed Auditor about this.

The service had uncertain prospects for improvements because:-

1. There were no plans beyond the current action plan for the longer-term future of the service setting out improvements;
2. The Council had not set detailed aims and objectives for the service showing how it would improve outcomes for customers;
3. The service did not clearly demonstrate how it contributed to the overall objectives and priorities of the Council;
4. Accuracy levels were not yet improving;
5. The service did not maximise learning opportunities to identify service improvement; and
6. There was not a clear trend of sustained improvement in the service year on year over the last three years.

It did state that however some changes such as recent improvements to processing times had had a positive impact for customers;

- Progress had been made on the majority of areas of weakness identified in the previous Audit Commission inspection of the service;
- The Council was displaying more leadership for the service through improved contract management; and
- Improved partnership working was adding capacity.

The Audit Commission had provided four recommendations which they suggested should be implemented by December 2010.

RESOLVED:- That the report be noted.

7 – Annual Governance Statement 2009-2010

The Director of Corporate Services reported that the Annual Governance Statement was the mechanism used to demonstrate that during the financial year ended 31st March, 2010, the Council had an adequate governance regime in place and all business was conducted in compliance with the existing arrangements. Instances of non-compliance or weakness identified required an action plan to eliminate re-occurrence.

The Annual Governance Statement included a proposed action plan to be implemented in 2010-2011 which was attached as an appendix to his report.

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executive's (SOLACE) identified six principles of corporate governance that underpinned the effective governance of all local authorities. Barrow Borough Council had used these principles when assessing the adequacy of its governance arrangements. The core principles were as follows:-

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 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 are subject to effective scrutiny and management of 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 Council had responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This responsibility was in practice carried out by Management Team and Managers, with the Chief Executive informing the Executive Committee of any significant matters warranting their attention.

The Council's Overview and Scrutiny Committees exercised a general non-executive review role which in 2009-10 included specific work on:

- Corporate Services: equalities performance, health and safety, and reviewing the Council's void commercial properties;
- Regeneration and Community Services: allotment management, off-street car parking, rent collection and waste collection and recycling; this Committee also received Performance Information.

The review of effectiveness of the system of internal control was informed by three main sources: the work of Internal Audit; by Managers who have responsibility for the development and maintenance of internal control environment and also by comments made by External Auditors and other review agencies/inspectorates.

Referring to “Manager’s Control” paragraph in the report, Councillor Flitcroft suggested that Equality and Diversity could be added to the checklist which is reviewed by Management Team. The Director of Corporate Services agreed that this would be a good idea.

The Director of Corporate Services reported that the following governance issues were identified during 2009/2010 as a result of the review of arrangements and by the work of External and Internal Audit –

- Continue the development of a Benefits Service that is shaped around customers with improved customer engagement and consultation;
- Develop a Revenues and Benefits Service Plan for the Council with a focus on long-term aims and objectives; and
- Improve the Council’s adherence to its duty to promote equality by attaining the “Achieving level” of the Local Government Equality Framework by March 2011.

The issues identified above would be dealt with by the responsible Officers and progress would be monitored by the Management Board and the Audit Committee, when appropriate.

He proposed that over the coming year the Council take steps to address the above matters to further enhance its governance arrangements. He was satisfied that these steps would address the need for improvements that were identified in the Council’s review of effectiveness and would monitor their implementation and operation as part of the next annual review.

RESOLVED:- That the Committee has formally approved the Annual Governance Statement for 2009/10 and agreed the Action Plan to be implemented in 2010/11.

8 – Final Accounts for the Year ended 31st March, 2010

The Borough Treasurer attached a copy of the Statement of Accounts for 2009/2010 to his report. An urgent item was also submitted with amendments made on 22nd June, 2010 following the Audit Committee papers distribution and the Statement of Accounts dispatched. The text in the urgent item replaced that in the Statement issued prior to the meeting. The amendments to the report were as follows:-

- Note 12 from page 29 had the wrong pension contribution rate in error;
- Note 15 from page 30 contained a typographical error;
- Note 50 from page 46 contained a typographical error; and
- Note 52 from page 47 was missing from the document in error.

The Borough Treasurer had informed the Committee that the Local Authority accounts were prepared to comply with Generally Accepted Accounting Principles

(GAAP) in the United Kingdom. This meant that public sector accounts were moving towards alignment with company accounts. The professional accounting body for the public sector, the Chartered Institute of Public Finance and Accountancy (CIPFA), issued Statement of Recommended Practice (SORP) and guidance to authorities on the best way of producing the accounts.

In preparing the accounts for 2009-2010, Officers had complied with recommended practice and all the relevant legislations.

The results for the financial year ended 31st March, 2010 were:-

The General Fund:

The 2009-2010 original General Fund (GF) net revenue budget was set at £13,742,000. The net GF expenditure for the year was £13,449,953. The surplus for the year was £292,047.

The final GF balance as at 31st March, 2010 was £2,263,306. This was a prudent level of balance to maintain and represented around 16% of the net revenue budget.

The actual expenditure was compared to the original budget and the difference formed part of the GF balance.

The main variations from the original budget had been reported to the Executive Committee on a quarterly basis throughout 2009-2010. The full year variations for major items over £50,000 had been detailed in the Borough Treasurer's report.

The Housing Revenue Account:

The Housing Revenue Account (HRA) original budget for 2009-2010 was set at a surplus of £52,670. The outcome for the year was a deficit of £22,918.

The HRA balance as at 31st March, 2010 was £824,061.

The main reasons for the major variations had been detailed in the Borough Treasurer's report.

The Collection Fund:

The Collection Fund (CF) resulted in a deficit of £80,235. This deficit would be shared in 2011-2012 amongst the Borough Council, Cumbria County Council and the Police Authority in proportion to their precepts for 2010-2011.

Reserves:

The available reserves as at 31st March, 2010 were:

- The Opportunity Reserve at £1,111,758;
- The general reserve stood at £461,623;
- Other earmarked reserves amounted to £3,308,717;
- The Usable Capital Receipts at the year end were £1,908,986; and
- The Major Repairs Reserve for the HRA at the year end was £411,486.

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

The Chairman referred to a training session which had been carried for Audit Committee Members earlier in the year and requested that the Borough Treasurer organise this once more for the benefit of new Members. The Chairman also requested that a briefing document for that training session be e-mailed to all new Members on the Committee.

RESOLVED:- (i) To note that the Committee had reviewed and scrutinised the Annual Statement of Accounts and considered that the accounting policies had been follows;

(ii) To agree to formally approve the Statement of Accounts for 2009/10 and agree its submission to the Audit Commission;

(iii) To authorise the Chairman of this Committee to sign the accounts on behalf of the Council; and

(iv) That a Training Session for Audit Committee Members be arranged by the Borough Treasurer.

9 – Internal Audit Annual Report 2009-2010

The Head of Internal Audit was required to produce an annual report at the end of each financial year. The Internal Audit Annual Report for the year 2009-2010 had been appended to the Borough Treasurer's report.

The report presented the Opinion Statement in support of the Council's Annual Governance Statement (formerly Statement on Internal Control) as required under the Accounts and Audit (Amendment) (England) Regulations 2006. The Head of Internal Audit's opinion was derived from work carried out by Internal Audit during the year as part of the agreed Internal Audit Plan for 2009/2010. The Internal Audit Plan for 2009/2010 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the internal control environment.

The Code stated that the internal control environment comprised three key areas; internal control, governance and risk management processes. His opinion on the effectiveness of the internal control environment was based on the assessment of each of these key areas.

There was 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 were required to produce an Annual Governance Statement, sources of assurance were reflected within this process, which Internal Audit were a part of; therefore the control environment was reviewed more fully in this way.

The overall opinion was that, for the systems reviewed, the Council had basically sound systems of control in place, although there were weaknesses which put some

of the system objectives at risk. There were a number of systems receiving low assurance, four of which related to contract letting and management. The profile of assurance was in his experience comparable to other local authorities, with the majority of Council systems receiving substantial assurance, with the exceptions mentioned above. Weaknesses found as a result of the Internal Audit's work, together with its recommendations for improvement, had been included in their reports to senior management and Members. Additional weaknesses identified through the Annual Governance Statement process were recorded separately as an appendix to the Annual Governance Statement and reflected the assurance provided from all sources, both internal and external.

There were however, ten areas where only restricted assurance could be provided and these related to:-

- Hindpool Urban Park;
- Barrow Park;
- Risk Management;
- IT General Controls;
- Asset Management;
- Barrow Public Park Heritage Restoration Project;
- Contract Probity;
- Sodexo Accounts Dock Museum Café;
- Construction of Holker Street Car Park (awaiting management response); and
- IT Asset Management (awaiting management response).

RESOLVED:- That Members note the Annual Report for 2009-2010.

10 – Internal Audit Plan 2010-2011

The Borough Treasurer reported that under Section 151 of the Local Government Act 1972, he had a 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.

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 was 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 approval by this Committee.

The Internal Audit function was outsourced to Furness Audit and the Internal Audit function was part of the Borough Treasurer's Department.

The coverage of the internal audit work may vary from year to year depending on the risk factors and needs identified during the planning process.

For the year 2010-2011, it was proposed to carry out the programme shown below:-

BARROW BOROUGH COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2010/11

Audit	Significance Band	Directorate	Days
ANNUAL AUDITS			
Income Collection	1	Borough Treasurer's	15
Housing and Council Tax Benefits	1	Borough Treasurer's	32
Council Tax	1	Borough Treasurer's	11
Performance Management	1	Corporate Services	10
Business Rates (NNDR)	1	Borough Treasurer's	9
Risk Management (Including Anti Fraud)	1	Borough Treasurer's	8
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	2	Borough Treasurer's	15
Accounts Receivable	2	Borough Treasurer's	10
Corporate Control/Governance	2	Corporate Services	7
Periodic Checks	2	Borough Treasurer's	16
Procurement (inc. Ordering)	2	Corporate Services	15
Accounts Payable	2	Borough Treasurer's	10
Housing Rents	2	Regeneration and Community Services	10
Standing Orders and Financial Regulations	2	Corporate Services/Borough Treasurers	5
Housing Maintenance (Day to day repairs)	2	Regeneration and Community Services	20

IT Environment Audits	1		30
Contract Audit	1		45
RISK ASSESSED SYSTEMS			
Licensing	3	Regeneration and Community Services	8
Housing Strategy	3	Regeneration and Community Services	10
Catering Contract	3	Corporate Services	15
Waste Management	4	Regeneration and Community Services	9
Refuse and Recycling Collection	4	Regeneration and Community Services	12
Non Routine Public Buildings Maintenance	4	Corporate Services	7
DESIGNATED ANNUAL AUDIT ACTIVITY			
Other Projects/Cash Floats (Annual)/A/c Working paper reviews/Receipt Book Checks	-		25
Community Organisations (inc. Mayor's Account)	-		20
Fraud Hotline	-		8
Funding Checks/Grant Claims	-		25
NFI Responsibilities	-		20
AUDIT MANAGEMENT			
Implementation Review	-		8
Probity	-		25
Audit Administration/Advice	-		8
Audit Committee	-		6
Audit Management/Planning/Reporting	-		10
External Audit Liaison	-		3
CONTINGENCY	-		8
TOTAL CONTRACT DAYS			530
ADDITIONAL CONTRACTED WORK			
Benefit Certification (estimated)	-		30

A copy of the Internal Audit Plan for 2010/11 had been considered by the Committee and they requested that it also be brought back to the next meeting in September and that Members reserve their right to make adjustments or ask questions on the report.

RESOLVED:- (i) To approve the Plan for 2010-2011; and

(ii) That a further report be brought back to the next meeting of the Audit Committee in September to enable further questions or adjustments by Members.

11 – Internal Audit – Asset Management Position Statement regarding a previous report

The Borough Treasurer reported that at the previous meeting, Members had expressed concerns regarding an Internal Audit report relating to asset management.

A statement was attached to the Borough Treasurer’s report which updated Members on the issues raised previously.

Internal Audit had prepared an updated position on Recommendation 5, concentrating on the documentation currently available for the original sample of properties.

Ref	Narrative
5	<p>The recommendation stated that:</p> <p><i>The Council should introduce procedures to ensure that a record is made and retained of all discussions, negotiations, agreements reached and instructions issued prior to formally:</i></p> <ul style="list-style-type: none"> <i>a) acquiring or disposing of assets; and</i> <i>b) leasing out its properties.</i> <p><i>(Priority 2)</i></p> <p>Internal Audit’s review identified that the current position on the properties sampled in the original audit was as follows:</p> <p>i) Freehold Acquisitions:</p> <p>The sample comprised six acquisitions.</p> <ul style="list-style-type: none"> a) All six acquisitions were approved by the Executive Committee; b) The Council’s interest in all six properties has been registered with the Land Registry; c) All six properties have been added to the Council’s Asset Register and included in its financial accounts; d) The six assets have been added to the Estates section’s Technology Forge register with relevant documentation,

including title deeds;

- e) All purchases were supported by valuations: in the case of land at Brady's Warehouse for the Link Road Phase 2 scheme, the purchase price was based on uprating the value of a smaller portion of land;
- f) Documentation for the purchase of land at Brady's Warehouse was held in the Regeneration section; and
- g) Invoices connected with the acquisition of the assets were held within the Borough Treasurer's Department

ii) Freehold Disposals:

The sample comprised ten freehold disposals, including four right to buy (RTB) sales and a minor land disposal.

- a) Disposals were approved by the Executive Committee where necessary;
- b) The assets have been removed from the Council's Asset Register and accounted for correctly, with the exception of the minor land sale which was de minimis;
- c) The Technology Forge register has been updated for the property disposals;
- d) No valuation could be produced for the disposal of land at Bessemer Way, which was agreed in 2006;
- e) Internal Audit did not test whether valuations had been obtained for the four RTB sales as this is an unavoidable stage of the process, nor for the minor land sale;
- f) Valuations were filed for the remaining four disposals; and
- g) Details of the financial transactions were held within the Borough Treasurer's Department.

iii) Property Leases:

The sample comprised nine leases of Council properties and one lease taken out by the Council. The issues raised in recommendation 5 of the audit report relate to documentation which could only be produced at the time of the transaction, so the position remains unchanged from that reviewed at audit, i.e.

- a) Six files contained no relevant correspondence or notes relating to the process which resulted in the lease being agreed. Two files contained proposed heads of terms, while a further two files contained some correspondence with the prospective tenants;
- b) Three files did not record that an external solicitor had been appointed to act on behalf of the Council;

	<p>c) Lease agreements have been drawn up in each case and retained on the Technology Forge asset register;</p> <p>d) The lease arrangements have been notified to the Borough Treasurer's and Housing Departments as appropriate, together with Liberata;</p> <p>e) Rents were being collected per the agreements for those properties managed by the Estates Section; and</p> <p>f) Review or renewal dates have been recorded in the Technology Forge Asset Register in order to prompt action.</p>
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After considering the update, Members welcomed the view taken by Internal Audit and were keen for them to follow it up.

As the appropriate Director for the Estates Department, the Director of Corporate Services informed the Committee that he would follow this matter up further.

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

(ii) That the Director of Corporate Services look further into the matters and concerns raised by the Committee.

12 – 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. There were eleven final reports appended for consideration. Assurance levels for these reports were Restricted - 2 and Substantial - 9, as follows:-

No.	Report	Assurance level	Major issues	Important issues	Minor issues	Previous issues
1	Barrow Public Park	Restricted	3	2	-	-
2	Contract Probity	Restricted	2	3	-	-
3	Code of Connection	Substantial	-	5	-	-
4	Housing Rents	Substantial	-	-	5	2
5	Payroll	Substantial	-	-	-	8
6	Payables	Substantial	-	-	2	3
7	Receipts Book	Substantial	-	1	1	-
8	Council Tax	Substantial	-	-	2	-
9	NNDR	Substantial	-	-	2	-
10	Performance Management	Substantial	-	1	3	-
11	Receivables	Substantial	-	3	1	-

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

RESOLVED:- That the information be noted.

13 – Review of Financial Regulations

The Borough Treasurer reported that the Financial Regulations had been reviewed and it had been concluded that no amendments were necessary at this time.

The Regulations were published on the Council's website and were part of the Constitution.

RESOLVED:- That it be noted that a review of the Financial Regulations had taken place and that no amendments were necessary at this time.

14 – Internal Audit – Final Report

The Borough Treasurer reported that an audit had been carried out on the Council's catering arrangements at the Dock Museum. As a result of the audit it had been concluded that there were significant weaknesses which put some of the system objectives at risk. Two Priority 1 recommendations had been made, eight Priority 2 recommendations made, and one Priority 3 recommendation.

The Council's Internal Audit Manager attended the meeting to present the report to Members and discuss recommendations made with regards to this audit report.

The Committee requested that an update be provided on this matter at the next meeting of the Audit Committee in September.

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

(ii) That an update report be brought back to the next meeting of the Audit Committee in September for Members' information.

The meeting closed at 4.19 p.m.

AUDIT COMMITTEE		Part One (D) Agenda Item 7
Date of Meeting: 29th September, 2010		
Reporting Officer: Borough Treasurer		
<p>Title: Audit Commission – Annual Governance Report for the Year 2009-2010</p> <p>Summary and Conclusions:</p> <p>The Annual Governance Report is produced by the Audit Commission following the completion of their audit for each financial year.</p> <p>The Council's External Auditors will attend the meeting to present the report to members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive the report; 2. Raise any questions or concerns with the Appointed Auditor; and 3. Approve the recommendations and action plan contained in the report. 		

Report

The Audit Commission Annual Governance Report for 2009-2010 is attached at **Appendix 1.**

(i) **Legal Implications**

It is a statutory requirement to have the accounts certified and published by 30th September, 2010.

(ii) **Financial Implications**

Not Applicable.

(iii) **Health and Safety Implications**

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

Annual Governance Report

Barrow-in-Furness Borough Council

Audit 2009/10

September 2010

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Key messages

This report summarises the findings from the 2009/10 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements	Results	Page
Unqualified audit opinion	Yes	6
Financial statements free from material error	Yes	6
Adequate internal control environment	Yes	6
Value for money	Results	Page
Adequate arrangements to secure value for money	O/S	13

Audit opinion

- 1 Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.
- 2 The financial statements were prepared, approved and submitted for audit on time. I received a full set of financial statements and supporting working papers in accordance with the timetable agreed with officers.

Financial statements

- 3 I have identified errors in the financial statements and reported these to management. Management has agreed to amend the financial statements for the errors identified in appendix 2. I have identified errors in the financial statements which management has declined to amend and these are summarised in appendix 3.
- 4 Management has taken a positive and constructive approach to the audit, and I would like to thank the Council's staff for their cooperation during the audit.

Value for money

- 5 I have identified some significant weaknesses in the Council's arrangements for tendering and contracting. I am still considering the implications of these weaknesses on my Value for Money Conclusion. I will provide a verbal update to the Audit Committee on 29 September 2010.

Independence

- 6 I can confirm that there were no relationships giving rise to a threat to independence, objectivity and integrity.

Audit Fees

- 7 I received a Public Interest Disclosure Act (PIDA) referral during the year. I have considered the issues raised by this disclosure and this has required additional work which was not reflected in my indicative fee. As a result of this additional work, I will need to charge the Council additional fee.
- 8 My work to consider the issues raised by the PIDA referral is still in progress. I will discuss the additional fee with the Borough Treasurer and report the final audit fee to a future Audit Committee.

Next steps

This report identifies the key messages that you should consider before I issue my financial statements opinion, value for money conclusion, and audit closure certificate. It includes only matters of governance interest that have come to my attention in performing my audit. My audit is not designed to identify all matters that might be relevant to you.

9 I ask the Audit Committee to:

- consider the matters raised in the report before approving the financial statements (pages 6 to 12);
- take note of the adjustments to the financial statements which are set out in this report (Appendix 2);
- agree to adjust the errors in the financial statements I have identified (that management has declined to amend) or set out the reasons for not amending the errors (Appendix 3);
- approve the letter of representation on behalf of the Council before I issue my opinion and conclusion (Appendix 4); and
- agree your response to the proposed action plan (Appendix 6).

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As Council members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

- 10** Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Errors in the financial statements

- 11** I identified errors during the course of my audit and these have been corrected by management. In addition, some presentational adjustments have been agreed with management. The adjustments arising from my audit and other adjustments agreed with management are summarised in appendix 2. These amendments do not impact on either the General Fund Balance or the Net Worth of the Council.
- 12** I identified errors and uncertainties during the course of my audit which management has declined to amend. All the unadjusted errors and uncertainties are summarised in appendix 3. If these errors were to be amended the General Fund balance would be increased by £270,000 and the Net Worth of the Council would increase by £270,000.

Important weaknesses in internal control

- 13** I have not identified weaknesses in the design or operation of internal controls that might result in a material error in your financial statements. I report only those matters that have come to my attention because of the audit procedures I have performed. My audit is not designed to identify all matters that might be relevant to you.

Explanatory Foreword

- 14** The Local Authority Statement of Recommended Practice (SORP) states that the explanatory foreword fulfils a similar purpose to a directors' report in company accounts, and that it should provide a concise and understandable guide for the reader of the accounts of the most significant aspects of its financial performance and year-end position.
- 15** My review of the Council's explanatory foreword to the accounts has identified that the following recommended elements are not included:

Financial statements

- Commentary on the major influences affecting the Council's income and expenditure and cashflow, and information on the financial needs and resources of the authority;
 - Commentary on specific items of expenditure, such as service expenditure, interest payable and other operating costs compared to the budget; and
 - Commentary on planned future developments in service delivery including a summary of revenue and capital investment plans.
- 16** Management has declined to make amendments to the explanatory foreword to include these elements which are recommended by the SORP.

Recommendation

R1 The Council should ensure that the explanatory foreword to the accounts covers the areas recommended by the SORP and that it provides an understandable guide for the reader of the accounts of the most significant aspects of its financial performance and year-end position.

Annual Governance Statement

- 17** The purpose of the Council's Annual Governance Statement (AGS) is to provide an accurate representation of the Council's governance arrangements in place during the year and to highlight those areas where improvement is required.
- 18** The AGS is a key corporate document. The most senior officer and the most senior member have joint responsibility as signatories for its accuracy and completeness. As a corporate document the AGS should be owned by all senior officers and members of the Council. The CIPFA Guidance for Practitioners includes detailed guidance and recommended practice for the preparation of the AGS
- 19** The AGS should accurately reflect the corporate governance environment as described in the Council's Local Code of Corporate Governance. Barrow's Local Code states that 'as part of the Audit Committee's governance role, the formal annual review (of Corporate Governance) will be undertaken by the Audit Committee on behalf of the Council'.
- 20** My review of the Council's AGS for 2009/10 identified the following weaknesses:
- The CIPFA guidance expects that the AGS will be based on evidence gathered to support the assurances made in the AGS, for example the steps taken by the Council to ensure that good quality services have been provided. The AGS report presented to the Audit Committee on 29 June 2010 did not provide members with information about the way in which evidence was gathered to prepare the AGS. It is not clear whether there has been an evidence gathering process to prepare the AGS for 2009/10.

- The signatories to the AGS need to ensure that the AGS accurately reflects the governance framework for which they are responsible. There is no evidence available to demonstrate that signatories were provided with assurances on the evidence gathering arrangements for the AGS. The draft AGS was not formally considered by either the Executive or Audit Committee.
- Internal Audit's Annual Report identified that only restricted assurance could be provided in respect of Risk Management, IT General Controls, Asset Management, Contract Probity, and IT Asset Management. None of these areas have been identified in the AGS as significant governance or internal control issues. In the absence of evidence to support the assurance gathering process, it is not clear how the Council has determined whether or not these issues should be included in the AGS as significant governance or internal control issues which require action to make improvements
- The AGS should include a prioritised action plan setting out the actions required to address significant weaknesses. There is no such action plan as nothing has been identified as needing action despite the weaknesses identified by Internal Audit.

Recommendation

- R2** The process for the compilation of the Annual Governance Statement (AGS) should be improved. In particular:
- The preparation of the AGS should be supported by an evidence gathering process to provide Members and Management with assurances over the governance arrangements which are required to be reported.
 - The draft AGS should be considered and reviewed by Management and Members prior to finalisation and approval.
 - Significant weaknesses should be identified in the AGS and the AGS should include an action plan setting out how the weaknesses are to be addressed.

Earmarked Reserves

- 21** The SORP defines earmarked reserves as being reserves set aside for specific policy purposes and balances which represent resources set aside for purposes such as general contingencies and cash flow management. For each reserve established, the purpose, usage and the basis of transactions should be clearly identified.
- 22** The Council's accounts include one balance called 'Earmarked Reserves' with a balance of £4.882m at 31 March 2010, an increase of over £1.8m on the previous year. The accounts disclose the purpose of this reserve as being 'Revenue set aside for specific purposes'.
- 23** The current disclosure does not identify what specific purposes the earmarked reserves have been established to fund. Given the significance of the £4.882m

Financial statements

balance of this reserve, the Council should clearly identify what the monies have been earmarked to fund.

Recommendation

R3 The accounts should disclose what specific purposes the earmarked reserves have been established to fund.

Key areas of judgement and audit risk

24 In planning my audit I identified specific risks and areas of judgement that I have considered as part of my audit.

Table 1 Key areas of judgement and audit risk

My Opinion Audit Plan presented to you in March 2010 identified the following risk areas

Risk	Finding
Although International Financial Reporting Standards (IFRS) do not apply to Local Government until 2010/11, the requirements of IFRIC12 on Service Concession Arrangements do apply to Local Government in 2009/10. The Council needs to ensure that it has taken appropriate steps to assess whether it has any arrangements that fall within the scope of IFRIC12 and account for these correctly.	<p>The Council does not have any PFI schemes and officers have informed me that it does not have any arrangements that fall within the scope of IFRIC12. However, the Council was initially unable to provide any evidence that it has reviewed its contractual arrangements to identify whether these may fall within the scope of IFRIC12.</p> <p>This assessment has now been undertaken by officers and I agree that none of the Council's service concession arrangements fall within the requirements of IFRIC 12.</p>
I review IT arrangements and controls in place at Barrow. This review includes assessing the arrangements the Council has place to obtain assurance over IT controls for the systems operated by Liberata. Internal Audit's work includes a review of IT controls at Liberata. The findings of the Internal Audit review will inform our testing strategy for the opinion audit.	<p>Internal Audit have not yet been able to undertake a review of IT controls for systems operated by Liberata. This is because this year Liberata would not give Internal Audit access to the information required. I understand that this issue has now been resolved and Internal Audit work is expected to commence soon.</p> <p>Because of delays to this work, I have not been able to place reliance on any IT controls which may provide assurance for systems operated by Liberata. Where I am unable to place reliance on controls,</p>

Risk	Finding
	additional substantive audit procedures are required so that I have sufficient assurance that the accounts give a true and fair view.
Internal Audit have undertaken a review of asset management and this concluded that it was difficult to obtain supporting documentation to evidence the decisions made in respect of asset transactions and leasing. There is a risk that the Council may not be able to provide sufficient appropriate evidence to support asset transactions in the financial statements.	My audit included substantive testing of capital additions and disposals. I have obtained sufficient appropriate evidence for the transactions that have been tested.
The Council is required to include additional disclosures in the 2009/10 accounts in respect of senior managers remuneration. This is a politically sensitive area and the new disclosure may be subject to increased scrutiny.	My audit has concluded that this new disclosure is correctly stated and supported by the underlying records.

Recommendation
R4 The Council must take prompt action to ensure that Internal Audit can access all the information that is required to provide the Council with assurance over the IT controls in operation at Liberata.

Accounting Practice and Financial Reporting

25 I consider the quality of your accounting practice and financial reporting. Table 2 contains the issues I want to raise with you.

Table 2

Issue	Finding
In 2008/09 I identified a failure in controls for the accounts payable system due to the authorised signatory list not being up to date. We understand that action was taken immediately to rectify this issue, however there remains a risk that this control did not operate effectively during the whole of 2009/10.	My audit testing included substantive sample testing of expenditure incurred through the accounts payable system. This testing did not identify any issues of concern.

Financial statements

Issue	Finding
<p>The Council should undertake regular checks to ensure that Valuation Office Schedules have been reconciled to the Council Tax and NNDR systems by Liberata during the year. Our review of financial systems during 2009/10 identified that whilst Liberata were undertaking the reconciliations, the Council had not undertaken any checks to ensure the reconciliations were being carried out. This increases the risk that errors may not be identified by the Council.</p>	<p>No checks have been undertaken by the Council during 2009/10 to confirm that Valuation Schedules have been reconciled to the Council Tax and NNDR systems by Liberata during the year. My testing has not identified any areas of concern, however this control check should be completed by the Council.</p>
<p>Our review of financial systems in 2009/10 identified that control account reconciliations were not always being completed on a timely basis and were not always up to date. There is a risk that where control account reconciliations are not completed on a timely basis, errors may go undetected.</p>	<p>My audit testing has included substantive procedures to ensure that year end control account reconciliations have been undertaken for all key financial systems.</p>
<p>Our review of financial systems in 2009/10 has identified that the debt recovery process has not been operating since July 2009 due to a system upgrade. As a result the level of debt outstanding had increased and there was an increased risk that this debt is irrecoverable.</p>	<p>The total debtors balance has increased by £114,000 between 31 March 2009 and 31 March 2010. The provision for bad debt has also been increased by £90,000. It is not clear that the provision for bad and doubtful debts is based on the collectability of the debt. The provision is calculated by finance officers but this is not clearly based on the historical collection rates or assessment of specific types of debt.</p>
<p>Review of the financial statements identified that the Council had not included disclosures in respect of Operating Leases. The Council has a significant commercial estate which includes lease arrangements and these should be disclosed in the financial statements.</p>	<p>Officers have agreed to amend the financial statements to include the required disclosures for Operating Leases.</p>
<p>In January of each year, the authority should estimate what surplus or deficit is expected on the Collection Fund for the financial year ending in March. The amount required to recover any deficit or the distribution of any estimated surplus should then be included in the precepting</p>	<p>Whilst the approach taken by Barrow is unlikely to have any material impact on the collection fund balance or precepting authorities, the approach is not good financial management as the recovery of surplus/deficit is not being undertaken on the basis of the most up to date</p>

Issue	Finding
<p>bodies' demand on the Collection Fund for the following financial year.</p> <p>In practice the Council always estimates that surplus or deficit in March will be nil and hence no adjustment is made to the following year's precepts.</p> <p>Only the actual surplus or deficit on the collection fund is adjusted in the precept demands. For example when setting the 2009/10 Council tax in January 2009, this will include recovery of the deficit as at 31 March 2008 only. There is no attempt to reflect the estimated balance at 31 March 2009.</p>	<p>information.</p> <p>This is particularly important if there are significant variations in the amount of surplus / deficit incurred each year, as the Council may be distributing or recovering surpluses / deficits without considering the current financial position of the Collection Fund.</p> <p>Given the historically small levels of surplus or deficit on the collection fund this is not currently considered to be a significant departure from the regulations, however if collection fund balances increase, this issue will become more important.</p>
<p>Testing of the debtors balances identified that housing benefit overpayment debtors that are being deducted from ongoing benefit are excluded.</p>	<p>The debtors balance is understated by approximately £270,000 because housing benefit overpayment debtors are not included.</p>

Recommendation
<p>R5 The Council should ensure that the regular checks to ensure that Valuation Office Schedules have been reconciled to the Council Tax and NNDR systems by Liberata are undertaken regularly during the year.</p>
<p>R6 Provisions for bad and doubtful debts should be based on historical collection performance and assessment of specific debts.</p>
<p>R7 Housing Benefit overpayment debtors that are being recovered from ongoing benefit should be included in the accounts</p>

Letter of representation

26 Before I issue my opinion, auditing standards require me to ask you and management for written representations about your financial statements and governance arrangements. Appendix 3 contains the draft letter of representation.

Value for money

I am required to decide whether the Council put in place satisfactory corporate arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the value for money conclusion.

Value for money conclusion

- 27** I assess your arrangements to secure economy, efficiency and effectiveness in your use of resources against criteria specified by the Audit Commission. I have shown my conclusions on each of the areas in Appendix 5.
- 28** I have identified weaknesses in your arrangements for tendering and contracting. These weaknesses are set out in paragraphs 44 to 49 in the following section. I am still considering the implications of these weaknesses on my Value for Money Conclusion. I will provide a verbal update to the Audit Committee on 29 September 2010.
-

Value for money findings

- 29** In the early part of 2010, the Audit Commission carried out work at the Council to update its annual Use of Resources assessment. Following the announcement in May 2010 of the intended abolition of CAA, the Commission decided that scored Use of Resources assessments would no longer be issued. We nevertheless place reliance on the work undertaken to support our opinion on whether the Council has adequate arrangements in place to deliver value for money in its use of resources – known as the VFM Conclusion. The following paragraphs provide feedback on our assessment of the arrangements in place which we have considered in reaching our VFM Conclusion at the 2009/10 audit.
-

Managing Finances

- 30** The Authority has financial arrangements in place to support delivery of strategic objectives. Objectives are based on national priorities and local issues identified through detailed community engagement with the public and partners. Budgetary control is strong and contributes to a good financial control environment at the Council. Strategic and service planning are integrated, with officers and members contributing to the planning process.
- 31** The Council has a healthy level of reserves at approximately 14% of the General Fund budget. The current financial strategy considers the impact of the economic downturn and the increased risks to the delivery of financial plans. However sensitivity analysis or scenario planning are not included in the Medium Term Financial Plans to illustrate the potential impact of future cuts in public spending on Council budgets and spending plans. The full extent of necessary spending reductions will become clearer after the
-

Autumn Spending Review and settlement of revenue grant funding for 2011/12 and beyond.

- 32 The Council is developing a detailed understanding of its comparative costs and spending. It makes use of benchmarking and other comparative data to challenge costs and performance in key priority areas. An exception to this is procurement where the development and use of unit and transaction costs is less well developed. Whole of life costing approaches are used to support decisions about service expansion, restructuring and redesign - waste collection and recycling, bulky waste collection, heating/ventilation and fire protection/security are recent examples of this approach.
- 33 Business cases include inbuilt cost analyses and option appraisal linked to local priorities. For major decisions, the Council has taken account of wider social, environmental and economic factors but more needs to be done to build sustainability into commissioning and procurement decision making processes. It consults with residents using satisfaction surveys and follows up with a programme of focus groups to better understand customer perceptions.
- 34 The Council has over achieved its efficiency target in each of the last three years. Sustainable efficiencies in grounds maintenance, waste collection and street cleansing have realised in excess of £1.2m this year. It is delivering significant savings through energy efficiency measures in its buildings. Effective targeting is helping to ensure that efficiencies can be achieved and priorities delivered.
- 35 Service managers are responsible for budgets and these are allocated to budget holders at an appropriate level. A comprehensive Council Finance report is submitted to the Management Board and the Executive Committee, including forecast information quarterly. An Annual Report is produced and includes financial and other performance information in an easy to understand format.
- 36 The Council has been proactive in identifying the implications of IFRS and has developed plans to address these issues. This year's accounts have been prepared ahead of national deadlines and our audit work this year has not identified any deterioration in the quality of working papers that have been provided.

Managing Finances - Areas for further improvement

- Use mechanisms such as sensitivity analysis and scenario planning to illustrate the potential impacts of future cuts in public spending on key corporate and service level strategies and plans.
- Extend the development and use of unit and transaction costs to challenge comparative costs and performance throughout all services.
- Build sustainability into routine commissioning and procurement decision making processes.

Governing the Business

- 37 The Council's corporate aims and priorities are based on a detailed understanding of the needs of residents collected through statutory surveys, additional tracker surveys

Value for money

and focus groups. It is willing and able to respond to the needs of local people, and acts on resident feedback to deliver improvements –fixed play provision, facilities for wheeled sports and improved provision of flood lit multi-use games areas are recent examples. It makes use of service redesign and restructuring to deliver improved value for money and works effectively with partners such as Liberata to deliver services. Historically, it has contracted out key services including waste collection, street cleansing and revenue and benefits administration.

- 38** A corporate Procurement Policy has been in place since 2004 and a 'How to do Business with the Council' guide is available on the internet. A revised procurement Policy was prepared in April 2009 but this has not been presented to members for consideration and adoption. The Council does not routinely report to members on procurement activity throughout the year so that they can understand what has and has not been delivered in order to challenge value for money obtained from contracts
- 39** The Council has arrangements in place to oversee data quality and is extending these to major partnerships. Arrangements for collecting, recording and reporting data are integrated into business planning and risk management processes. Corporate data quality and data security procedures are in place and there have been no reported data losses or security breaches during the year. A business continuity plan is in place, although there is no evidence that it has been tested.
- 40** The Council has procedures in place to collect and analyse data from services and activities, but these comprise a series of locally held systems rather than a centrally held performance management system. Action plans are integral to performance management and under-performance results in officers being invited to attend scrutiny committees to provide explanations. This focus on under performance is helping to drive up service performance in priority areas.
- 41** An ethical framework is in place to promote good governance. The role of the Executive Committee is clearly defined and published in the Council's Constitution. Standing orders, financial regulations and a scheme of delegation are in place, although these are not explicitly reviewed and updated regularly and contract standing orders are not up to date. Codes of Conduct for members and officers are in place and there is a programme for member development and learning. The induction programme for new members includes training in respect of the ethical framework and guidance on what should be reported to the Standards Committee.
- 42** A counter fraud strategy and whistle blowing policy are accessible on the Council's website. Arrangements are in place to investigate fraud including a 'fraud hotline' manned by internal audit. The Council has an audit committee although this needs to provide more challenge. Internal audit is in place - reports are of a good standard however it is not clear that the recommendations which management agree are properly implemented, because the Audit Committee does not monitor management action in response to agreed recommendations.
- 43** The Council monitors risks and a corporate risk register is in place. The Executive Management Board receives reports on the high level risks faced by the council. Training on risk management is provided to relevant members and officers however the risk register does not consistently include relevant risks from all sources such as internal audit findings.

Tendering and contracting

- 44** A number of significant weaknesses exist in your procurement, tendering and contracting arrangements. These weaknesses are indicative of poor governance arrangements for tendering and contracting, and expose the Council to potentially significant risks.
- 45** The Council's Standing Financial Instructions (SFIs) and Contract Standing Orders (SOs) are out of date and do not reflect all current procurement practices in the Council, such as e-procurement. As a result the Council is not always following SFIs and SOs. There is a risk that the Council cannot demonstrate that contracts have been tendered and awarded in accordance with Council policy and procedure. Departures from agreed policy and procedure may also, result in non-compliance with laws and regulations.
- 46** The Council does not have an up to date procurement policy. As a result the Council's policy may not reflect good practice and new requirements, such as changes to EU procurement regulations. This increases the risk that the Council's procurement and tendering may not be compliant with laws and regulations.
- 47** Our audit work identified that tender exercises have taken place and work is underway, but no contract is recorded in the contracts register. Sometimes this is because legal services have not been provided with a copy of the contract and in other cases, work has been completed before the contract has been agreed and signed. In some cases work has been completed without a contract. The absence of a formal contract before work commences increases the risk that work is not completed as required by the Council.
- 48** The Council only requires formal tendering for contracts with a value in excess of £100,000. This threshold is high in comparison to districts of a similar size and many larger Councils have tendering thresholds that are much lower than this. There is risk that the Council cannot demonstrate that it is obtaining value for money where contracts are awarded below £100k without being tendered.
- 49** Internal Audit have undertaken work on both the Council's procurement and contracting processes, and reviews of specific contracts. The Internal Audit reports related to this work identify a number of common and recurrent issues, including:
- Tenders are not always being opened in accordance with Standing Orders. There are examples of incomplete signatures on documentation at tender opening and missing tender documentation. As a result the Council may be unable to demonstrate that contracts have been tendered and awarded in accordance with Council policy and procedure.
 - Examples of work being awarded under standard 'terms and conditions' of business with the Council, but without a formal contract in place. The absence of a formal contract may increase the risk of dispute between the Council and Contractor, and may make it difficult for the Council to prove liability of the contractor in the event of defects or services not being delivered.
 - Tenders being invited from contractors that are not on the approved list. As a result, contractors invited to tender may not meet the requirements established by the approved list.

Value for money

- Contract variation orders are not always complete or properly authorised and there are examples of inappropriate authorisation of contract invoices for payment. This increases the risk that expenditure may not be properly due to the contractor and creates a potential risk of fraud.
- Lack of supporting documentation to support the appointment of a consultant. The Council may not be able to demonstrate value for money if work has been awarded without a competitive tendering process.

Recommendation

R8 The Council must take urgent action to address the weaknesses identified in tendering and contracting arrangements. Action must be taken to ensure that:

- Standing Financial Instructions and Contract Standing Orders are kept up to date and all procurement practices in the Council are compliant with these regulations.
- The procurement policy is kept up to date and is consistently applied across the Council.
- Contracts are put in place for all tender exercises before work or services commence. The contracts register should be complete and accurate.
- Tendering thresholds should be reviewed to ensure that the Council is satisfied that the thresholds are appropriate.
- All tender exercises must be completed in accordance with standing orders.

Governing the Business - Areas for further improvement

- Review (and if necessary update) the draft procurement Policy (April 2009) to ensure it reflects current procurement practice and national guidance. Once completed, present the draft Policy to members for consideration and adoption.
- Strengthen corporate performance management arrangements through routine reporting on procurement (activity, costs and value for money) as part of the quarterly performance reports to members.
- Regularly test the business continuity plan to ensure that it is fit for purpose.
- Regularly review and if necessary update standing (including contract) orders, financial regulations and the scheme of delegation. Formally evidence reviews on the version history file.
- Strengthen the role and function of the Audit committee and ensure that it appropriately discharges its statutory responsibilities.
- Ensure all internal and external recommendations are fully implemented and regularly report progress to members and Senior Management Team as part of routine performance management arrangements.
- Regularly remind officers of the need to record risks from all sources (including from internal and external audit reports) in corporate and service level risk registers.

Managing Resources

- 50** The Council has a well established approach for reducing the environmental impact of its activities. An Energy (Efficiency) Policy was developed in 2006. The main focus of this has been on improving energy efficiency (electricity and gas consumption). However, it is recognised that this needs updating to broaden its focus to include sustainability, biodiversity and minimising the impacts of climate change. A Sustainability Strategy was developed in March 2008 but as yet has not been signed off by Management Team or presented to members.
- 51** The Council can cite demonstrable improvements from energy efficiency measures. For example, secondary glazing, mechanical ventilation and temperature controls at Barrow Town Hall have delivered a 30% reduction in gas consumption and 3% reduction in electricity use. Similar reductions have also been achieved at Forum 28 and Park Leisure Centre. However, it has not yet undertaken an analysis of or collected baseline data on water consumption. Work is underway to address this.
- 52** The Council is working with the carbon trust to improve energy efficiency. Carbon trust surveys were completed for the three main council owned buildings four years ago. These form the basis of the Council's energy efficiency projects and are built into the capital programme. An action plan has been developed and is being implemented. Key developments include; variable speed drives, new boilers, solar thermal heating, etc.

Value for money

53 A renewable energy survey was undertaken 18 months ago. The Council is working to improve energy efficiency eg installing power saving technology into buildings it leases out. It has also been successful in obtaining grants from the Low Carbon Buildings Fund for installing solar thermal panels on Park Leisure Centre. It is working with other councils to develop a framework for construction contracts to ensure environmental impacts are considered. Display Energy Certificates are up to date and cover all main buildings eg Forum 28, crematorium, museum, markets, Park LC, Salthouse depot and town hall.

Managing Resources - Areas for further improvement

- Finalise the draft Sustainability Strategy (March 2008) and ensure it addresses issues such as sustainability, biodiversity and minimising the impacts of climate change.
- Once the draft Sustainability Strategy has been finalised, develop detailed implementation plans to support its delivery. These should include SMART targets and identify the resource requirements needed to deliver sought outcomes.
- Collect and analyse baseline information on water consumption and set targets to reduce overall consumption across the Council.

Glossary

Annual governance statement

- 54** Governance is about how local government bodies ensure that they are doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 55** It comprises the systems and processes, and cultures and values, by which local government bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.
- 56** The annual governance statement is a public report by the Council on the extent to which it complies with its own local governance code, including how it has monitored the effectiveness of its governance arrangements in the year, and on any planned changes in the coming period.

Audit closure certificate

- 57** A certificate that I have completed the audit following statutory requirements. This marks the point when I have completed my responsibilities for the audit of the period covered by the certificate.

Audit opinion

- 58** On completion of the audit of the accounts, auditors must give their opinion on the financial statements, including:
- whether they give a true and fair view of the financial position of the audited body and its spending and income for the year in question;
 - whether they have been prepared properly, following the relevant accounting rules; and
 - for local probation boards and trusts, on the regularity of their spending and income.

Qualified

- 59** The auditor has some reservations or concerns.

Unqualified

- 60** The auditor does not have any reservations.

Value for money conclusion

- 61** The auditor's conclusion on whether the audited body has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Appendix 1 – Independent Auditor’s report to Members of Barrow-in-Furness Borough Council

Opinion on the accounting statements

I have audited the Authority accounting statements and related notes of Barrow-in-Furness Borough Council for the year ended 31 March 2010 under the Audit Commission Act 1998. The accounting statements comprise the Income and Expenditure Account, the Statement of Movement on the General Fund Balance, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the Cash Flow Statement, the Housing Revenue Account, the Statement of Movement on the Housing Revenue Account, the Collection Fund and the related notes. These accounting statements have been prepared under the accounting policies set out in the Statement of Accounting Policies.

This report is made solely to the members of Barrow-in-Furness Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 49 of the Statement of Responsibilities of Auditors and of Audited Bodies published by the Audit Commission in April 2008.

Respective responsibilities of the Borough Treasurer and Auditor

The Borough Treasurer’s responsibilities for preparing the accounting statements in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice are set out in the Statement of Responsibilities for the Statement of Accounts.

My responsibility is to audit the accounting statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority and its income and expenditure for the year.

I review whether the governance statement reflects compliance with ‘Delivering Good Governance in Local Government: A Framework’ published by CIPFA/SOLACE in June 2007. I report if it does not comply with proper practices specified by CIPFA/SOLACE or if the statement is misleading or inconsistent with other information I am aware of from my audit of the accounting statements. I am not required to consider, nor have I considered, whether the governance statement covers all risks and controls. Neither am I required to

Appendix 1 – Independent Auditor’s report to Members of Barrow-in-Furness Borough Council

form an opinion on the effectiveness of the Authority’s corporate governance procedures or its risk and control procedures.

I read other information published with the accounting statements, and consider whether it is consistent with the audited accounting statements. This other information comprises the Explanatory Foreword. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounting statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounting statements and related notes. It also includes an assessment of the significant estimates and judgments made by the Authority in the preparation of the accounting statements and related notes, and of whether the accounting policies are appropriate to the Authority’s circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounting statements and related notes are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounting statements and related notes.

Opinion

In my opinion the Authority accounting statements give a true and fair view, in accordance with relevant legal and regulatory requirements and the Code of Practice on Local Authority Accounting in the United Kingdom 2009: A Statement of Recommended Practice, of the financial position of the Authority as at 31 March 2010 and its income and expenditure for the year then ended.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources

Authority’s Responsibilities

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance and regularly to review the adequacy and effectiveness of these arrangements.

Auditor’s Responsibilities

I am required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Authority for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion in relation to proper arrangements, having regard to

Appendix 1 – Independent Auditor’s report to Members of Barrow-in-Furness Borough Council

relevant criteria for principal local authorities specified by the Audit Commission and published in May 2008 and updated in October 2009. I report if significant matters have come to my attention which prevent me from concluding that the Authority has made such proper arrangements. I am not required to consider, nor have I considered, whether all aspects of the Authority’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources and audit certificate

I have identified weaknesses in the Council’s tendering and contracting arrangements. I am considering the implications of these weaknesses on my conclusion on the Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources;

Until I have considered those implications I am unable to reach a conclusion on the Council’s arrangements for securing economy, efficiency and effectiveness in the use of resources or to certify completion of the audit.

Gina Martlew
Officer of the Audit Commission

Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ

X September 2010

Appendix 2 – Amendments to the draft accounts

I identified the following misstatements during my audit and managers have made the necessary adjustments. I bring them to your attention to aid you in fulfilling your governance responsibilities.

Table 3 Amendments to the draft accounts

Description of error	Impact on Statements	Value of error £
<p>Note 19 Movements in Fixed Assets</p> <p>The movements in fixed assets includes a reversal of a past impairment loss of £1,400,000. This movement was included within a net figure for revaluations but should have been separately disclosed.</p>	<p>Note 19 to the financial statements has been amended to separately identify the reversal of a past impairment loss. This amendment does not impact on the Income and Expenditure Account.</p>	<p>Disclosure</p>
<p>Operating Leases</p> <p>The financial statements should include disclosure of the number and value of operating leases where the Council is either a lessee or lessor. Testing of a sample of commercial properties identified that the Council has a number of operating leases in place for its commercial buildings but no disclosure had been included in the financial statements.</p>	<p>The financial statements have been amended to include the required disclosures. These can be found in note 4 to the financial statements.</p>	<p>Disclosure</p>
<p>Note 12 Officer Remuneration</p> <p>Pension contributions disclosed in note 12 to the accounts had been calculated using a set percentage rather than being disclosed as the actual pension contributions made and recorded in the payroll system.</p>	<p>Pension contributions in note 12 have been amended to reflect the actual contributions paid and recorded in the payroll system.</p>	<p>N/A</p>
<p>Note 15 Related Party Transactions</p> <p>Note 15 to the financial statements did not include a full disclosure of all significant related parties. In addition some minor errors were identified in the prior year comparatives.</p>	<p>Amendments have been made to note 15 to include all significant related parties. Minor errors have also been corrected.</p>	<p>Disclosure</p>

Appendix 2 – Amendments to the draft accounts

<p>Note 60 Post Balance Sheet Events Annual pension increases are based on a measure of price inflation. In June 2010 the Government announced a move to using the Consumer Price Index (CPI) as the measure of price inflation for public sector pensions from April 2011. Currently the Retail Price Index is the measure used. This change will affect the valuation of pension fund liabilities.</p>	<p>Note 60 has been amended to include disclosure of this change.</p>	<p>Disclosure</p>
<p>Presentation and disclosure A number of minor presentational inconsistencies or errors in disclosure were identified in the financial statements.</p>	<p>A number of minor amendments have been made to correct these presentational errors and inconsistencies.</p>	<p>Disclosure</p>

Appendix 3 – Unadjusted misstatements in the accounts

I identified the following misstatements during my audit, but management has not adjusted the financial statements. I bring them to your attention to help you in fulfilling your governance responsibilities. If you decide not to amend, please tell us why in the representation letter. If you believe the affect of the uncorrected errors, individually and collectively, is immaterial, please reflect this in the representation letter. Please attach a schedule of the uncorrected errors to the representation letter.

Table 4 Unadjusted errors in the accounts

Description of error	Impact on Statements	Value of error
<p>NNDR Debtor</p> <p>The audit of the National Non Domestic Rates (NNDR) return identified a computation error which resulted in an amendment to the NNDR claim. The amendment results in an increase in the amount paid to the national pool and an decrease to the amount owed to the Council.</p>	<p>Debtors owed to the Council in the Balance Sheet at 31 March 2010 are overstated by £56,000.</p>	<p>£56,000</p>
<p>Debtors – Housing Benefits</p> <p>The Council has not included a debtor in the Balance Sheet to reflect Housing Benefit overpayments that are owed to the Council and which are being recovered through deductions from ongoing benefit.</p>	<p>The balance of debtors owed to the Council is understated by an estimated £270,000. This amount reflects the estimated value of housing benefit overpayments that are owed to the Council and which are being recovered through deductions from ongoing benefit. If this error was to be amended the General Fund Balance would be increased by £270,000.</p>	<p>£270,000</p>

Appendix 4 – Draft letter of representation

Gina Martlew
Appointed Auditor
Audit Commission
Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ

Barrow-in-Furness Borough Council - Audit for the year ended 31 March 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Directors and Officers of Barrow-in-Furness Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which give a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed in the attached schedule are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

reason 1 etc;

reason 2

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Appendix 4 – Draft letter of representation

Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or
- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council.

The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the valuation of fixed assets and financial instruments, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and

- that subsequent events do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties.

The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements.

The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

IFRIC12 Service Concession Arrangements

I confirm that the Council has assessed all contracts to identify whether any contractual arrangements reflect a service concession arrangement within the scope of IFRIC12.

Appendix 4 – Draft letter of representation

Signed on behalf of Barrow-in-Furness Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 29 September 2010.

Signed

Name

Position

Date

Appendix 5 – Value for money criteria

Key Line of Enquiry	Met
Managing finances	
Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?	Yes
Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?	Yes
Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?	Yes
Governing the business	
Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?	Yes
Does the organisation produce relevant and reliable data and information to support decision making and manage performance?	Yes
Does the organisation promote and demonstrate the principles and values of good governance?	o/s
Does the organisation manage its risks and maintain a sound system of internal control?	Yes
Managing resources	
Is the organisation making effective use of natural resources?	Yes

Appendix 6 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R1 The Council should ensure that the explanatory foreword to the accounts covers the areas recommended by the SORP and that it provides and understandable guide for the reader of the accounts of the most significant aspects of its financial performance and year-end position.	3				
8	R2 The process for the compilation of the Annual Governance Statement (AGS) should be improved. In particular: <ul style="list-style-type: none"> • The preparation of the AGS should be supported by an evidence gathering process to provide Members and Management with assurances over the governance arrangements which are required to be reported. • The draft AGS should be considered and reviewed by Management and Members prior to finalisation and approval. • Significant weaknesses should be identified in the AGS and the AGS should include an action plan setting out how the weaknesses are to be addressed. 	3				
9	R3 The accounts should disclose what specific purposes the earmarked reserves	3				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	have been established to fund.					
10	R4 The Council must take prompt action to ensure that Internal Audit can access all the information that is required to provide the Council with assurance over the IT controls in operation at Liberata.	3				
12	R5 The Council should ensure that the regular checks to ensure that Valuation Office Schedules have been reconciled to the Council Tax and NNDR systems by Liberata are undertaken regularly during the year.	2				
12	R6 Provisions for bad and doubtful debts should be based on historical collection performance and assessment of specific debts.	2				
12	R7 Housing Benefit overpayment debtors that are being recovered from ongoing benefit should be included in the accounts	2				
17	R8 The Council must take urgent action to address the weaknesses identified in tendering and contracting arrangements. Action must be taken to ensure that: <ul style="list-style-type: none"> • Standing Financial Instructions and Contract Standing Orders are kept up to date and all procurement practices in the Council are compliant with these regulations. • The procurement policy is kept up to date and is consistently applied across the Council. • Contracts are put in place for all tender exercises before work or services 	3				

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
	<p>commence. The contracts register should be complete and accurate.</p> <ul style="list-style-type: none"> • Tendering thresholds should be reviewed to ensure that the Council is satisfied that the thresholds are appropriate. • All tender exercises must be completed in accordance with standing orders. 					

AUDIT COMMITTEE		Part One (D) Agenda Item 8
Date of Meeting: 29th September, 2010		
Reporting Officer: Borough Treasurer		
<p>Title: Final Accounts for the Year ended 31st March, 2010 – Audit Amendments</p> <p>Summary and Conclusions:</p> <p>The Statement of Accounts and Annual Governance Statement for 2009-2010 were reported to this Committee on 29th June, 2010, following approval they were submitted to the Audit Commission for audit and certification.</p> <p>The previous agenda item considered the Audit Commission report, The Annual Governance Report, which highlighted the agreed amendments to the Statement of Accounts. This report should be read in conjunction with the Audit Commission report.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Note and approve the amendments agreed by the Borough Treasurer with the Audit Commission. 2. Authorise the Chairman of the Committee to sign the amended Statement of Accounts. 		

Report

This report should be read in conjunction with the Annual Governance Report (AGR; previous agenda item) submitted by the Audit Commission.

The accounts for 2009-2010 are free from material error and the Audit Commission suggested a number of amendments that I have agreed to.

Other items highlighted by the Audit Commission that I have not agreed to amend. The reasons are set out in Appendix 6 of the AGR.

The amended Statement of Accounts including the Annual Governance Statement is attached to this report at **Appendix 2**.

(i) Legal Implications

It is a statutory requirement to have the accounts certified and published by 30th September, 2010.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

Barrow Borough Council

Statement of Accounts for 2009-10

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Published June 2010 revised September 2010

Explanatory Foreword to the Accounts

Introduction

The Statement of Accounts summarises the Council's transactions for the 2009-10 financial year and its position at the year-end 31 March 2010. Figures for the previous year are included to assist in the interpretation of the accounting statements.

The purpose of the Statement of Accounts is to give readers clear information about the Council's finances. It discloses the cost of Council services in the year, where the money came from to pay for the services and what the assets and liabilities were at the year-end.

The accounting statements consist of core financial statements followed by a consolidated set of notes covering all of the core statements. Supplementary statements are presented (with their own notes) after the notes on the core statements.

The Statement of Accounts comprises:

- Statement of Accounting Policies
- Statement of Responsibilities for the Statement of Accounts
- Accounting Statements:
 - The Core Financial Statements:
 - Income and Expenditure Account
 - Statement of the Movement on the General Fund Balance
 - Statement of Total Recognised Gains and Losses
 - Balance Sheet
 - Cash Flow Statement
- Notes to the Core Financial Statements
- Supplementary Statements:
 - Housing Revenue Account (HRA) Income and Expenditure Account and Statement of Movement on the HRA Balance
 - Collection Fund
- Annual Governance Statement.

Statement of Accounting Policies

The purpose of this statement is to explain the basis for the recognition, measurement and disclosure of transactions and other events in the accounts. The accounting policies and estimation techniques disclosed are those that are significant to the understanding of the Statement of Accounts (**Pages 5 to 11**).

Statement of Responsibilities for the Accounts

This statement sets out the Council's responsibilities for the accounts under local government legislation and other requirements, and the Borough Treasurer's legal and professional responsibility for the accounts (**Page 12**).

Accounting Statements

The Income and Expenditure Account (**Page 13**) brings together all of the functions of the Council and summarises all of the resources that have been generated, consumed or set aside in providing services during the year.

The Statement of Movement on the General Fund Balance (**Page 14**) takes the surplus or deficit from the Income and Expenditure Account and then applies certain statutory items that are taken into account in determining the Council's budget requirement and in turn its Council Tax demand. This results in the General Fund Balance.

The Statement of Total Recognised Gains and Losses (**Page 15**) brings together all gains and losses recognised by the Council in the financial year.

The Balance Sheet (**Page 16**) sets out the Council's financial position as at the 31 March 2010. It shows balances and reserves at the Council's disposal, its long-term indebtedness, and the long-term and net assets employed in its operations, together with summarised information on the fixed assets held.

The Cash Flow Statement (**Page 17**). This consolidated statement summarises the inflows and outflows of cash arising from transactions with third parties for revenue and capital purposes for the financial year.

Notes to the Core Financial Statements

The notes to the core financial statements (**Pages 18 to 50**) add to and interpret the content of the individual accounting statements. They provide more explanation and analysis where matters of financial significance cannot adequately be shown in the statements themselves.

Supplementary Statements

The Housing Revenue Account (**Pages 51 to 58**) reflects the statutory obligation to account separately for Council housing provision. The HRA has two statements. The HRA Income and Expenditure Account show the HRA services in more detail than the whole authority statement. The Statement of Movement on the HRA Balance adjusts the HRA Income and Expenditure surplus or deficit by applying statutory items. This results in the year end HRA balance.

The Collection Fund (**Pages 59 to 61**) reflects the statutory requirement to maintain a separate record of transactions in relation to council tax and non-domestic rates, and illustrates the way in which these have been distributed to precepting authorities, the national non-domestic rates pool and the General Fund.

Annual Governance Statement

The Annual Governance Statement is the mechanism used to demonstrate that, during the financial year ended 31 March 2010, the Council had an adequate governance regime in place and that all business was conducted in compliance with the existing arrangements. (**Pages 62 to 70**).

Comparison with revenue budget

The Council's original spending plans (budget) in overall terms and the actual outturn for 2009-10 are shown below:

2008-09			2009-10	
Budget	Actual		Budget	Actual
£			£	
13,092,000	13,145,927	Net General Fund budget approved by Council on the 23 February 2009	13,742,000	13,449,953
(53,927)		Movement in the General Fund balance for the year	292,047	
		To be funded by:		
8,887,317		Central Government	9,412,688	
4,204,683		Council Tax	4,227,312	

The net actual expenditure after contributions to reserves for 2009-10 is £292,047 below the Council's net General Fund budget; see breakdown between Income and Expenditure items (Page 13) and other statutory items (Page 33, Note 18). There was a net under-spend on the General Fund services of £220,734. A net contribution to earmarked reserves of £1,876,125 was made. This includes £1,881,225 carried forward Area Based Grant. Area Based Grant is a non-ring fenced fund received from Central Government.

For the Housing Revenue Account the original spending plans (budget) and the actual outturn for 2009-10 are shown below:

2008-09			2009-10	
Budget	Actual		Budget	Actual
£			£	
29,820 surplus	120,557 surplus	Housing Revenue Account budget approved by Council on the 23 February 2009	52,670 surplus	22,918 deficit

The main reason for the deficit of £22,918 for 2009-10 is lower than budgeted dwelling rents matched mostly by an under-spend of subsidy payable to Central Government; see breakdown between Income and Expenditure items (Page 51) and other statutory items (Page 53, Note 2).

Balances and reserves

The balances and reserves available to the Council at the 31 March 2010:

	31 March 2009	31 March 2010
	£	£
General Fund revenue balance	(1,971,258)	(2,263,306)
General Fund earmarked reserves	(3,005,972)	(4,882,098)
HRA revenue balance	(845,980)	(823,061)
Usable capital receipts reserve	(1,572,673)	(1,908,986)
Total usable reserves and balances	(7,395,883)	(9,877,451)

Retirement benefits

The Balance Sheet (**Page 16**) shows the Council's pension liability matched by the pension reserve at the balance sheet date. This reflects the Council's future liability for pensions relating to current and previous staff. There is no overall effect from pension liabilities on Council Tax or housing rent levels.

Prudential code

The Council adopted the Prudential Code for Capital Finance in Local Authorities in 2004-05. This sets out a framework for the self-regulation of capital expenditure within the restrictions of prudential indicators designed to maintain affordability, prudence and sustainability.

Capital programme

The Council's capital investment for 2009-10 and how it has been financed is shown below, together with the current debt outstanding and the prudential limit on external borrowing.

2008-09		2009-10
£		£
15,656,880	Capital investment	11,640,005
(2,115,177)	Financed by borrowing	(1,174,050)
(10,817,391)	Financed by grant	(8,299,450)
(642,407)	Financed by capital receipts	(300,066)
(2,081,905)	Financed by balances and reserves	(1,866,439)
(15,656,880)		(11,640,005)
(39,000,000)	Authorised limit for external debt	(36,000,000)
(29,000,000)	Total of external loans	(22,389,734)

Group accounts

Where the Council has a group relationship with a separate entity it is required to consolidate both sets of accounts and prepare group accounting statements. During 2009-10 the Council has not had a group relationship with any organisations, therefore there are no group accounting statements or disclosures in the Statement of Accounts.

Accounting policies

These accounts comply with relevant accounting practices and give a true and fair view of the financial performance and position of the Council. The accounting policies adopted by the Council are reviewed annually to ensure that the financial information presented is relevant, reliable, comparable and understandable. In 2009-2010 there has been a change in the accounting treatment of Council Tax and Business Rates transactions. For Council Tax, the share of the relevant transactions for the County Council and the Police Authority are now included as debtors or creditors in the balance sheet. The Council's portion of the transactions remains within the main statements. The Business Rates collected on behalf of Central Government are now shown as a debtor or creditor in the balance sheet. The International Financial Reporting Interpretations Committee (IFRIC), issued IFRIC 12 to address how service concession operators should apply existing international financial reporting standards to their arrangements.

The credit crunch

In 2009-2010 the Council continued its cautious approach towards counterparty investment decisions. Deposits have been limited to the Council's main bank, the HSBC which has one of the highest credit rating scores and a solid capitalisation value.

International Financial Reporting Standards

New financial reporting standards are being introduced from the financial year 2010-11 to comply with IFRS requirements, as required by HM Treasury. The Council's accounts will have to be prepared in accordance with the new code.

Statement of Accounting Policies

General

The accounting convention adopted is historical cost, modified by the revaluation of certain categories of tangible fixed assets. The accounts have been prepared in accordance with the following:

- Code of Practice on Local Authority Accounting in the United Kingdom 2009 (SORP), published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority Scottish Accounts Advisory Committee (LASAAC);
- Guidance issued by CIPFA on the application of UK Accounting Standards:
 - Statements of Standard Accounting Practice (SSAP);
 - Financial Reporting Standards (FRS);
- Best Value Accounting Code of Practice (BVACOP); and
- Prudential Code on Capital Finance in Local Authorities.

Accruals of income and expenditure

Customer and client receipts that appear in the accounts as sales, fees, charges and rents are accrued into the period that they relate to. Basic employee costs are charged to the period within which the employee worked. Expenses and any additional working are paid in the following month and are accounted for in the accounting period they are paid in.

Interest payable on external loans and external interest earned is accrued and accounted for in the period it relates to, reflecting the overall economic effect in the accounting period. The accumulated interest due but not paid or due but not yet received at the 31 March is included in the Balance Sheet as current liabilities and current assets respectively.

The cost of supplies and services is accrued and accounted for in the period of consumption or receipt. Accruals are made on an estimated or actual basis for all material amounts unpaid at the year-end for goods and services received or works completed.

Bad debt provisions are created to adjust the carrying amount of debtors for doubtful and uncollectable debts. The Council annually reviews the amount held in each provision to reflect the current best estimate, primarily based on the age of the debts.

Acquired/discontinued operations

Any material income and expenditure directly related to acquired or discontinued operations is shown as a separate item in the Income and Expenditure Account.

Any liability in respect of discontinued operations is disclosed as a separate item in the Balance Sheet.

Contingent assets and liabilities

Where the Council has contingent assets and liabilities they are disclosed as a note to the accounts if an economic benefit or obligation is probable.

Contingent assets and liabilities are not included in the accounting statements. Should contingent assets or liabilities materialise then the resulting transaction will be accounted for appropriately.

Council tax and business rates transactions

The 2009 SORP introduced changes to the way of accounting for transactions relating to council tax and business rates.

Previously, Barrow as the billing authority accounted for these transactions as debtors or creditors in the balance sheet and attributed only the collection fund balance share of the precepting authorities as a debtor or creditor with those authorities. Similar arrangements were used for the business rates transactions.

The new accounting requirements introduced an agency arrangement. The billing authority accounts for its own share of the council tax transactions in its balance sheet and its share of the collection fund balance will be accounted for through a new account, the Collection Fund Adjustment Account. The precepting authorities' share of the council tax transactions as well as their share of the collection fund balance will be accounted for as a debtor or creditor with those authorities.

The transactions for business rates will similarly be treated as a debtor or creditor with the Government national rates pool.

Events after the balance sheet date

Where an event after the balance sheet date, favourable or unfavourable, which provides evidence of conditions that, existed at the balance sheet date occurs (adjusting event) the amounts recognised in the Statement of Accounts are adjusted.

Where an event that occurs after the balance sheet date is indicative of conditions that arose after the balance sheet date (non-adjusting event) the amounts recognised in the Statement of Accounts is not adjusted. For each material category of non-adjusting event after the balance sheet date, the nature of the event and an estimate of the financial effect (or a statement that such an estimate cannot be made reliably) are disclosed.

Events after the balance sheet date are reflected up to the date the Statement of Accounts is authorised for issue. The date when the Statement of Accounts was authorised for issue by the Borough Treasurer is disclosed in the Notes to the Accounts, including confirmation of the date up to which events after the balance sheet date have been considered.

Exceptional items, extraordinary items and prior period adjustments

Exceptional items are part of the ordinary activities of the Council and are included in the cost of the service they relate to, unless they would materially distort the service's cost and its use as a comparative. Where necessary they are disclosed separately in the Income and Expenditure Account and explained in Notes to the Accounts.

Extraordinary items are shown separately in the Income and Expenditure Account after the Council's ordinary activities, and are disclosed in a note to the accounts.

Prior period adjustments arise from corrections and adjustments from estimations and accounting treatments used in the accounting process. Where practicable, the comparative figures for the previous period are restated in the accounting statements and an explanatory note included in the accounts.

Financial instruments

The accounting treatment of financial instruments is covered by three Financial Reporting Standards (FRS's). FRS 26 deals with recognition and measurement, FRS 25 with presentation and disclosures, and FRS 29 replaces the disclosures part of FRS 25.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. Financial instruments therefore, cover both

financial assets and financial liabilities. In a local authority context and particularly for the Council, financial liabilities include; trade payables (creditors) and borrowings. Financial assets include; trade receivables (debtors), bank deposits and investments.

Financial liabilities are included in the accounts when, in the case of trade payables, the goods or services are received. Borrowing is recognised in the accounts when the amount borrowed is received.

Financial assets are included in the accounts when, in the case of trade receivables, the goods or services have been delivered or rendered. Investments and deposits are recognised at the contract date.

Financial assets and liabilities are included in the accounts at fair value less any transactions costs relating to the acquisition or issue of the financial instrument. Fair value is defined as the amount for which financial assets could be exchanged or a financial liability settled under normal market conditions.

The accounting treatment of financial instruments depends on the classification used and the Council adopts the following classification:

- Financial liabilities – amortised cost
- Financial assets – loans and receivables

Amortised cost using the effective interest rate is a method of determining the Balance Sheet carrying amount and the charges to the Income and Expenditure Account for the financial instrument.

The carrying amount of loans and receivables and the interest income are measured using the effective interest rate method, except for short duration receivables with no stated interest that are measured at the original invoice amount.

Where statutory requirements dictate a different treatment for the carrying amounts relating to premiums and discounts resulting from the early repayment and replacement of loans, the Income and Expenditure Account will be charged or credited with the amount calculated using the effective interest rate method, with a matching adjustment made to the Financial Instruments Adjustment Account (FIAA) to reflect the statutory requirements.

Other types of financial instruments such as financial guarantees, soft loans, equities and derivatives are not currently used by the Council.

Foreign currency translation

Income and expenditure arising from foreign currency transactions would be translated into pounds sterling at the exchange rate on the transaction date.

Any assets or liabilities at the balance sheet date would be shown at the closing rate if no other exchange rate were fixed.

Government grants and other contributions

Grants and other contributions are accounted for on an accruals basis.

Revenue grants are credited against the appropriate service revenue account to match the expenditure they relate to.

Government grants that finance either all or part of an addition to the Council's assets follow the deferred credit method. Capital grants are credited to a government grants unapplied account. Where the grant is used to finance the creation, acquisition or enhancement of a fixed asset, amounts equivalent to the grants applied in financing are transferred to a government grants-deferred account and as depreciation is charged over the life of the asset,

the grant is released to the service revenue account over the useful life of the asset, to match the depreciation of the asset it relates to.

Similar accounting treatment has been adopted for grants and contributions from other bodies, using a private grants-deferred account.

However, capital grants relating to Revenue Expenditure Funded From Capital Under Statute (REFFCUS) are credited to the revenue account to match the expenditure charged under this category.

Group accounts

Group accounting requires the consolidation of separate entities accounts where a group relationship exists with the Council. Where such relationships do exist group accounting statements are prepared in addition to the Council's own, separate entity, accounts.

Intangible assets

Intangible assets are held at cost and amortised over their economic lives subject to a maximum of 20 years.

The Council annually reviews the economic lives of each intangible asset to reflect the current best estimate.

Service revenue accounts are charged with a provision for amortisation and where required, impairment, to reflect their use of assets in the course of providing their services.

Leases

The capital value and future liabilities of items acquired by operational leases are recorded as a note to the Income and Expenditure Account. Annual lease payments are charged to the appropriate service revenue account.

Rental payments under finance leases are apportioned between the finance charge and the reduction of the outstanding obligation. The finance charge is allocated and charged to revenue over the term of the lease.

Overheads

In accordance with CIPFA guidance the costs of corporate and democratic management are not recharged to services, they are shown as a separate objective heading in the Income and Expenditure Account. Similarly non distributed costs are not recharged to services and are shown separately in the Income and Expenditure Account.

The cost of support services are allocated or charged to individual services using the most appropriate basis including staff time, number of employees or floor space; reflecting the nature and type of service provided.

If any overheads are not charged or apportioned, the reason together with the details are disclosed in a note to the Income and Expenditure Account.

Pension costs

The Council contributes to the Local Government Pension Scheme managed by Cumbria County Council. It is a multi-employer, funded defined benefit scheme.

The pension costs charged to service revenue accounts are equal to the current service costs rather than the contributions paid to the fund.

The contributions paid into the fund on behalf of current employees together with costs arising in respect of pensions paid to retired employees are set off against the current service cost with any compensating adjustment coming from a transfer with the Pensions Reserve.

There is no impact on the bottom line of the General Fund.

The pension costs are determined on the basis of contribution rates that are set to meet the known liabilities of the fund. Triennial valuations are carried out to determine the level of contributions required.

The treatment and reporting of retirement benefits complies with the accounting and disclosure requirements of FRS 17 – Retirement Benefits.

Private Finance Initiative (PFI)

PFI contracts are agreements to receive services, where the responsibility for making the fixed assets needed to provide the service passes to the PFI contractor. The Council is deemed to control the services that are provided under PFI schemes as the ownership of the fixed assets will pass to the Council at the end of the contracts for no additional charge. The Council carries the fixed assets used under the contracts on the Balance Sheet. Fixed assets recognised on the Balance Sheet are revalued and depreciated in the same way as property and equipment owned by the Council.

IFRIC 12 draws a distinction between two types of PFI agreement. In one, the operator receives a financial asset from the government in return for constructing or upgrading the public sector asset. In the other, the operator receives an intangible asset, i.e. no more than the right to charge for the use of the public sector asset that it constructs or upgrades. IFRIC 12 allows for the possibility that both types of arrangement may exist within a single contract

Provisions

Provisions are created to meet potential liabilities or losses that have been incurred but where timing or amounts are uncertain.

For housing benefit overpayments, a full provision is made for the possible non-collection of this debt. However, it is Council policy to pursue all debtors where appropriate. Where invoices have been issued to collect the overpayment debt, the income is recognised in the Income and Expenditure Account to match the full provision. Overpayments are also recovered from ongoing and future benefit entitlement where possible, however as the amounts and timing of recovery are not certain, they are not recognised in the Income and Expenditure Account.

Revenue expenditure funded from capital under statute (REFFCUS)

Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in the creation of a fixed asset. The purpose of this is to enable this type of expenditure to be funded from capital resources rather than being a charge on the council tax. These items are generally grants and expenditure on property not owned by the authority, and amounts directed under section 16(2) of Part I of the Local Government Act 2003. This type of expenditure will be charged to the Income and Expenditure Account but reversed out in the Statement of Movement on the General Fund Balance to neutralise the impact on the Council Tax.

Research and development

Expenditure on research and development is written off as it is incurred as part of the continuing operations of the Council.

Reserves

Reserves are used to earmark funds to cover future expenditure. Expenditure should not be charged directly to any reserve.

Capital reserves are not available for revenue purposes and certain reserves can only be used for specific statutory purposes.

The Major Repairs Reserve is a statutory account and relates to the Housing Revenue Account. The account can be used to finance HRA capital expenditure or repay the principal of any amounts borrowed.

Stocks

Stocks are included in the Balance Sheet at the lower of cost and net realisable value in accordance with SSAP 9 – Stocks and long-term contracts.

Tangible fixed assets

Expenditure on the creation, acquisition or enhancement of tangible fixed assets is capitalised. This includes any assets acquired under finance leases that have been capitalised and included in the Balance Sheet on the basis of the outstanding obligation to make future rental payments.

All asset values shown in the Balance Sheet are net of depreciation. Council dwellings are included at their Existing Use Value – Social Housing Value. Operational assets are included at the lower of net current replacement value or net realisable value in existing use apart from specialised property which is included at depreciated replacement cost. Non-operational assets are included at the lower of net current replacement value or net realisable value. Infrastructure assets, equipment and community assets are included at historical cost. Assets under construction are held at cost as non-operational assets until they are commissioned.

The Council appoints qualified valuers to undertake the revaluation of its assets every five years. The asset values used in the accounts are based on the last valuation certificates issued. For the HRA assets this was at 1 April 2009 and was carried out in accordance with specific government guidance on stock valuation issued in July 2005. For all other assets the last full valuation was at the 1 April 2008 and those valuations were carried out in accordance with guidelines issued by CIPFA and the Royal Institute of Chartered Surveyors ('RICS'). The valuation covered all major assets valued over the £10,000 de-minimus level.

Additions to the Council's fixed assets, where the eventual asset is under construction, are included in the accounts at their purchase or construction cost and when the asset is commissioned, it is valued and brought into use. Where fixed assets are purchased and used straight away, these are included at their cost of acquisition, which is usually based on a formal valuation, until the next valuation or impairment review.

Where the disposal of a fixed asset results in a gain or a loss, the equivalent amount is transferred to the Income and Expenditure Account. In order to comply with the statutory restrictions on the use of capital receipts, the gain or loss is then reversed in the Statement of Movement on the General Fund or HRA Balance. Disposal proceeds are subject to a de-minimus value of £10,000, except the sale of Council dwellings that are all treated as capital receipts.

In accordance with FRS 11 – Impairment of Fixed Assets and Goodwill – the value at which each category of asset is included in the Balance Sheet is reviewed annually. Where there is a material change between the carrying amount and the recoverable amount, an impairment adjustment is made in the accounts.

In accordance with FRS 15 – Tangible Fixed Assets – all assets are depreciated except land. Assets are not depreciated in the year of their acquisition or creation; they are depreciated in

the year of their disposal. Assets are depreciated for full years and not for interim periods if disposed of part way through a year. Assets are depreciated on a straight-line basis and are calculated on the opening balance.

Due to the requirements of the current statutory framework the depreciation charges are replaced with the statutory requirement for the repayment of external loans, except for the Housing Revenue Account where resource accounting determines that depreciation charges remain.

All financial transactions relating to fixed assets in the balance sheet are reflected in a Capital Adjustment Account and a Revaluation Reserve.

The Capital Adjustment Account records all transactions relating to the financing of capital expenditure.

The Revaluation Reserve reflects the valuation gains on fixed assets owned by the Council. The reserve holds information relating to individual assets and their accumulated balance, created from revaluations, can only be used in the impairment and disposal of the individual assets. No individual asset can have a negative balance within the Revaluation Reserve. Impairment and disposal entries can only be charged against the balance built up from revaluation gains.

Value Added Tax

VAT is only included in the accounts where it is deemed to be irrecoverable.

Statement of Responsibilities for the Accounts

The Authority's Responsibilities

The authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Borough Treasurer;
- manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets;
- Approve the Statement of Accounts.

The Borough Treasurer's Responsibilities

The Borough Treasurer is responsible for the preparation of the authority's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the SORP).

In preparing this Statement of Accounts, the Borough Treasurer has:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that were reasonable and prudent; and
- Complied with the local authority SORP.

The Borough Treasurer has also:

- kept proper accounting records which were up to date; and
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

We certify that the accounts set out on **Pages 13 to 61** of this Statement of Accounts give a true and fair view of the financial position of the Council for 2009-10 and its income and expenditure for the year ended 31 March 2010.

M Saleh CFP, BA, M.Litt
Borough Treasurer
22 June 2010 revised 20 September 2010

Councillor O N Flitcroft
Audit Committee Chairman
29 June 2010 revised 29 September 2010

Accounting Statements

Income and Expenditure Account

This account summarises the resources that have been generated and consumed in providing services and managing the Council during the last year. It includes all day-to-day expenses and related income on an accruals basis, as well as transactions measuring the value of fixed assets actually consumed and the real projected value of retirement benefits earned by employees in the period.

Previous Year Net Spend Restated £		Gross Spend £	Gross Income £	Net Spend £
1,594,853	Central services to the public	8,842,999	(7,098,433)	1,744,566
10,274,443	Cultural, environmental and planning services	16,283,902	(6,900,836)	9,383,066
1,506,418	Highways, roads and transport services	2,366,183	(1,523,758)	842,425
7,105,306	Housing Revenue Account	6,244,206	(8,999,098)	(2,754,892)
953,610	Other housing services	21,761,634	(20,922,784)	838,850
(146,341)	Exceptional items Note 2	37,739	(188,696)	(150,957)
1,570,491	Corporate and democratic core	1,622,245	(85,809)	1,536,436
4,109,539	Non distributed costs Note 3	3,065,464	(748,650)	2,316,814
26,968,319	Net Cost of Services	60,224,372	(46,468,064)	13,756,308
406,155	Loss on the disposal of fixed assets Note 5			103,366
(3,258)	Gain on the disposal of contingent assets Note 6			(50,678)
108,500	Parish council precepts			102,000
1,276,500	Interest payable and similar charges Note 7			994,929
235,905	Contribution of housing capital receipts to Government Pool Note 8			243,988
(462,405)	Interest and investment income Note 7			(16,558)
1,276,000	Pensions interest cost and expected return on pensions assets Note 9			1,969,000
29,805,716	Net Operating Expenditure			17,102,355
(4,238,811)	Income from Council Tax Note 1			(4,437,775)
(3,909,334)	General government grants Note 10			(5,272,760)
(7,801,311)	Non-domestic rates redistribution			(7,316,049)
13,856,260	Deficit for the year			75,771

Statement of Movement on the General Fund Balance

The Income and Expenditure Account shows the Council's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise council tax on a different accounting basis, the main differences being:

- Capital investment is accounted for as it is financed, rather than when the fixed assets are consumed.
- The payment of a share of housing capital receipts to the Government scores as a loss in the Income and Expenditure Account, but is met from usable capital receipts rather than council tax.
- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The General Fund Balance compares the council's spending against the council tax that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the General Fund Balance:

Previous Year Restated £		Current Year £
13,856,260	Deficit for the year on the Income and Expenditure Account	75,771
(13,802,333)	Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year Notes 17 and 18	(367,818)
53,927	(Increase)/decrease in General Fund Balance for the Year	(292,047)
(2,025,186)	General Fund Balance brought forward	(1,971,259)
(1,971,259)	General Fund Balance carried forward	(2,263,306)

Statement of Total Recognised Gains and Losses

This statement brings together all the gains and losses of the Council for the year and shows the aggregate increase in its net worth. In addition to the deficit generated on the Income and Expenditure Account, it includes gains and losses relating to the revaluation of fixed assets and re-measurement of the net liability to cover the cost of retirement benefits.

Previous Year Restated £		Current Year £
13,856,260	Deficit for the year on the Income and Expenditure Account	75,771
(14,688,294)	Surplus arising on the revaluation of fixed assets Note 25	(1,669,227)
(1,345,000)	Actuarial (gains)/losses on pension fund assets and liabilities Note 9	9,216,000
<u>(2,177,034)</u>	Total recognised (gains)/losses for the year	<u>7,622,544</u>

Balance Sheet

31 March 2009 Restated			31 March 2010
£			£
	Tangible Fixed Assets <i>Notes 19 to 32</i>		
	Operational assets:		
80,370,912	Council dwellings	83,356,750	
43,591,465	Other land and buildings	43,382,575	
2,198,441	Equipment	1,832,320	
1,877,376	Infrastructure assets	1,810,938	
9,466,305	Community assets	9,717,045	
	Non-operational assets:		
15,739,045	Commercial and other properties	15,778,114	
10,565,905	Assets under construction	11,303,501	
8,182,464	Surplus assets, held for disposal	9,066,541	
171,991,913	Total fixed assets		176,247,784
7,367	Long-term debtors Note 33		10,300
171,999,280	Total long-term assets		176,258,084
	Current assets		
30,586	Stocks Note 34	29,845	
7,006,746	Debtors Note 35	7,026,789	
4,588,982	Cash and bank	1,125,842	
			8,182,476
183,625,594	Total assets		184,440,560
	Current liabilities		
(633,282)	Short-term borrowing Note 36	(489,173)	
(5,658,478)	Creditors Note 37	(6,372,340)	
			(6,861,513)
177,333,834	Total assets less current liabilities		177,579,047
(29,000,000)	Long-term borrowing Note 7		(22,389,734)
(509,095)	Provisions Note 38		(680,191)
(3,020,970)	Unapplied grants Note 39		(2,342,126)
(39,011,597)	Grants deferred Note 39		(43,763,534)
0	Deferred liability Note 40		(37,625)
(22,199,154)	Liability related to defined benefit pension scheme Note 9		(32,395,363)
83,593,018	Total assets less liabilities		75,970,474
	Financed by: (Note 41)		
(69,836,971)	Capital adjustment account Note 42		(68,371,658)
664,718	Financial instruments adjustment account Note 43		423,645
(29,268,854)	Revaluation reserve Note 44		(30,169,311)
(1,572,673)	Usable capital receipts reserve Note 45		(1,908,986)
(7,367)	Deferred capital receipts		(5,300)
22,199,154	Pensions reserve Note 9		32,395,363
0	Major repairs reserve Page 57 Note 15		(411,486)
(1,971,258)	General Fund balance		(2,263,305)
(845,980)	Housing Revenue Account balance		(823,061)
52,185	Collection Fund Adjustment Account Note 46		45,723
(3,005,972)	Earmarked reserves Note 47		(4,882,098)
(83,593,018)	Total net worth		(75,970,474)

These financial statements replace the unaudited financial statements authorised at the meeting of the Audit Committee on the 29 June 2010.

Borough Treasurer:

Date: 20 September 2010

Cash Flow Statement

2008-09 Restated		2009-10	
		£	£
(8,461,506)	Net movement on revenue activities <i>Note 53</i>		(7,883,883)
	Returns on Investments and Servicing of Finance		
	Cash outflows		
1,276,500	Interest paid	1,139,037	
	Cash inflows		
(493,277)	Interest received		(18,546)
783,223	Net movement in servicing of finance		1,120,491
	Capital Activities		
	Cash outflows		
5,560,775	Purchase of fixed assets	1,641,705	
8,526,239	Other capital cash payments	6,695,523	
	Cash inflows		
(798,601)	Sale of fixed assets		(490,316)
(8,445,373)	Capital grants received <i>Note 54</i>		(5,726,917)
(33,417)	Other capital cash receipts <i>Note 55</i>		(52,745)
4,809,623	Net movement on capital activities		2,067,250
(2,868,660)	Net cash (inflow)/outflow before financing <i>Note 56</i>		(4,696,142)
	Management of liquid resources		
(4,900,000)	Net increase/(decrease) in short-term deposits		0
3,743,900	Net increase/(decrease) in other liquid resources	1,548,940	
(1,156,100)	Net movement on liquid resources		1,548,940
	Financing		
	Cash outflows		
2,000,000	Repayments of amounts borrowed	6,610,266	
	Cash inflows		
(2,000,000)	New short-term loans		0
0	Net movement on financing		6,610,266
(4,024,760)	Net (increase)/decrease in cash		3,463,064

Notes to the Core Financial Statements

1. Prior period adjustments

The Core Accounting Statements have been restated for 2008-09 to reflect the change in accounting for the Collection Fund. Both NNDR and the council tax relating to the major preceptors are now included as government debtors. The amounts relating to the Council remain in the Statements in the relevant headings.

The income recognised in the Income and Expenditure Account is the amount due for the year on an accrual basis. This includes the Councils share of the surplus or deficit on the year and excludes any prior year surplus or deficit due to the General Fund from the Income and Expenditure Account.

Income and Expenditure Account

	Income from Council Tax	Collection fund (surplus)/deficit
	£	£
Audited Statement of Accounts 2008-09	(4,273,918)	(39,265)
Include 2008-09 deficit	35,107	
Remove 2006-07 collection fund surplus		39,265
Income from Council Tax	<u>(4,238,811)</u>	<u>0</u>

This results in an increase in the deficit for the year of £74,372 (£35,107 + £39,265) which is excluded from the General Fund balance in the Statement of Movement on the General Fund Balance.

Statement of Movement on the General Fund Balance

	Deficit for the year on the Income and Expenditure Account	Net additional amount required by statute and non-statutory proper practices to be debited to credited to the General Fund Balance
	£	£
Audited Statement of Accounts 2008-09	13,781,888	(13,727,961)
Change in Income from Council Tax	74,372	
Council tax adjustment		(74,372)
	<u>13,856,260</u>	<u>(13,802,333)</u>

The Net additional amount required by statute and non-statutory proper practices to be debited or credited to the General Fund Balance for the year is been restated to exclude the Income from Council Tax not attributable to the 2008-09 General Fund Balance. The overall effect of this change in accounting treatment is neutral to the General Fund.

All elements of the national non-domestic rates (NNDR) and the council tax relating to the major preceptors are now included as government debtors. The amounts due to the major preceptors and the NNDR pool are held as debtors on the Balance Sheet. The amounts relating to the Council are carried in the relevant headings:

Balance Sheet

	NDR		Council tax	
	DCLG	Cumbria County Council	Police Authority	Barrow Borough Council
	£	£	£	£
Audited Statement of Accounts 2008-09				
Government debtors	473,426	289,500	47,451	
Allocate Debtors				
Arrears	1,370,212	3,368,199	556,274	610,511
Bad debt provision	(1,074,151)	(2,252,603)	(372,028)	(408,301)
Allocate Creditors				
Prepayments and receipts in advance	(566,396)	(761,319)	(125,735)	(137,995)
	203,091	643,777	105,962	64,215
Government debtors	203,091	643,777	105,962	
Council tax arrears				610,511
Bad debt provision - council tax arrears				(408,301)
Prepayments and receipts in advance				(137,995)
	203,091	643,777	105,962	64,215

The Council Tax income for 2009-10 is shown on an accrual basis which includes the demand on the Collection Fund and the share of the balance for the year.

2. Exceptional items

The exceptional items for 2009-10 are shown below.

2008-09		2009-10
£		£
	Exceptional expenditure items:	
15,000	Employment tribunal	0
30,789	Consultant fees for VAT claim	37,739
	Exceptional income items:	
(38,181)	Bank of Credit and Commerce International dividend	0
(153,949)	VAT repaid including interest for cultural services	(188,696)
(146,341)		(150,957)

3. Non distributed costs

In addition to specific items of revenue expenditure, the non distributed costs include the capital charges that relate to the Council's non-operational assets. The value of these transactions varies between years, so to provide some clarity the transactions associated with non-operational assets for 2009-10 are shown below.

2008-09		2009-10
£		£
	Non-operational assets	
326,756	Depreciation charged for the year	436,122
5,601,486	Impairment losses	2,498,625
715,772	Non Council assets written out to revenue	45,000
0	Gain on previous year impairment losses	(74,080)
(188,292)	Deferred grants amortised to revenue	(234,134)
(2,363,362)	Deferred grants not attributable to specific assets	(440,436)
4,092,360		2,231,097

4. Leases

The Council acts as lessor in respect of land and property owned by it and leased to tenants. The value of the income from rents associated with these agreements, and included within the Council's Income and Expenditure Account, is £1,263,814 for 2009-10 (£1,006,589 for 2008-09).

The gross value at 31 March 2010 in respect of land and property generating leasehold income is £14,735,269 and the accumulated depreciation £269,632.

The Council acts as lessor for sub-leases on contract hire cars supplied to its officers. The total cost in 2009-10 was £99,844 and after contributions from officers of £21,741, it resulted in a charge to the Income and Expenditure Account of £78,103 (2008-09 total cost £98,290 officers contributions £22,467 and charge to Income and Expenditure Account of £75,812).

The Council also rents Cavendish House itself for operational purposes. The value of rentals paid in respect of its responsibilities as a lessee in 2009-10 is £50,670 (£51,900 for 2008-09).

5. Disposal of fixed assets

The losses on the fixed assets that the Council has sold for 2009-10 are shown below.

2008-09		2009-10	
£		£	£
	Sale proceeds:		
(236,000)	Dwellings	(287,905)	
(126,101)	Commercial and other properties	(108,000)	
(205,000)	Assets under construction	0	
(150,000)	Surplus assets, held for disposal	(431,717)	
(717,101)	Total sale proceeds		(827,622)
	Carrying value:		
163,200	Dwellings	207,001	
126,101	Commercial and other properties	108,000	
607,544	Assets under construction	0	
226,410	Surplus assets, held for disposal	615,987	
1,123,255	Total carrying value		930,988
406,154	Losses on disposals of fixed assets		103,366

6. Disposal of contingent assets

Contingent assets represent proceeds to the Council where a dwelling sold under the tenant's Right to buy is sold on within five years of the purchase from the Council. There is a statutory calculation to claw back a proportion of the discount originally awarded to the tenant purchasing the dwelling from the Council.

7. Financial instruments

Nature and extent of risks arising from financial instruments

The Council's activities expose it to a variety of financial risks:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council.
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments.
- Re-financing risk – the possibility that the Council might be requiring to renew a financial instrument on maturity at disadvantageous interest rates or terms.
- Market risk – the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rate movements.

Overall Procedures for Managing Risk

The Council's overall risk management procedures focus on the unpredictability of financial markets, and implementing restrictions to minimise these risks. The procedures for risk management are set out through a legal framework set out in the Local Government Act 2003 and the associated regulations. These require the Council to comply with the CIPFA Prudential Code, the CIPFA Treasury Management in the Public Services Code of Practice and Investment Guidance issued through the Act. Overall these procedures require the Council to manage risk in the following ways:

- by formally adopting the requirements of the Code of Practice;
- by the adoption of a Treasury Management Strategy and treasury management clauses within its financial regulations;
- by approving annually in advance prudential indicators for the following three years limiting:
 - The Council's overall borrowing;
 - Its maximum and minimum exposures to fixed and variable rates;
 - Its maximum and minimum for exposures of the maturity structure of its debt;
 - Its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with the Government Guidance;

These are required to be reported and approved at or before the Council's annual Council Tax setting budget or before the start of the year to which they relate. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported at least annually to Members.

The annual treasury management strategy which incorporates the prudential indicators was approved by Council on 23 February 2009 and is available on the Council website. The key issues within the strategy were:

- The Authorised Limit for 2009-10 was set at £36,000,000. This is the maximum limit of external borrowings or other long term liabilities.
- The Operational Boundary was expected to be £33,000,000. This is the expected limit of external borrowings or other long term liabilities.
- The maximum amounts of fixed and variable interest rate exposure were set at 100% and 30% based on the Council's net debt.

These policies are implemented by the Treasurer. The Council maintains written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash through Treasury Management Practices; these are a requirement of the Code of Practice and are reviewed periodically.

Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers.

This risk is minimised through the Annual Investment Strategy, which requires that deposits are not made with financial institutions unless they meet identified minimum credit criteria, in accordance with the Fitch, Moody's and Standard and Poors Credit Ratings Services. The Annual Investment Strategy also considers maximum amounts and time limits in respect of each financial institution. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above. Additional selection criteria are also applied after that. Details of the Investment Strategy can be found on the Council's website, the key areas of the Investment Strategy are that the minimum criteria for investment counterparties include:

- Minimum credit rating of A (Fitch or equivalent rating).
- UK institutions provided with support from the UK Government.
- Building societies limited by value based on their asset size.

In addition to adopting the minimum criteria above the Council agreed that the Borough Treasurer restrict investment activity to those counterparties considered of higher quality until the market returned 'normal' conditions.

The Council had no exposure to credit risk during 2009-10 or 2008-09 as there were no Council funds invested in the market.

No breaches of the Council's counterparty criteria occurred during the financial year and the Council does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Council is exposed to credit risk from non-payment by trade debtors and the maximum risk is calculated and set aside as a bad debt provision, held in the Balance Sheet. The bad debt provision is based on the age of the debt and is weighted to reflect the recoverability of the debts owed to the Council.

The provision is reviewed annually to ensure that it reflects the experience as well as the history of default and uncollectability:

Debt outstanding	Default and uncollectability provision
Less than 3 months	50%
Three months to six months	75%
Six months to one year	100%
More than one year	100%

The Council does not generally allow credit for customers, such that £661,506 of the £1,038,594 balance owed by trade debtors for 2009-10 is past its due date for payment (£488,520 of the £1,594,998 for 2008-09). The past due amount can be analysed by age as follows:

31 March 2009		31 March 2010
£	Debt outstanding	£
232,339	Less than 3 months	288,165
40,407	Three months to six months	89,871
74,176	Six months to one year	86,736
141,598	More than one year	196,734
488,520	Total	661,506
346,844	Provision for bad and doubtful debt	494,956
71%	Percentage of provision	75%

Liquidity risk

The Council manages its liquidity position through the risk management procedures above (setting and approval of prudential indicators and the approval of treasury and investment strategy reports), as well as a comprehensive cash flow management system, as required by the CIPFA Code of Practice. This seeks to ensure that cash is available when it is needed.

The Council has ready access to borrowings from the Money Market to cover any day to day cash flow need, and whilst the PWLB provides access to longer term funds, it also acts as a lender of last resort to councils (although it will not provide funding to a council whose actions are unlawful). The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Refinancing and maturity risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the Borough Treasurer addresses the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments provide stability of maturities and returns in relation to the longer term cash flow needs.

The maturity analysis of financial liabilities is as follows, with the maximum and minimum limits for fixed interest rates maturing in each period (approved by Council in the Treasury Management Strategy):

31 March 2009 Restated		31 March 2010	Approved maximum limits	Approved minimum limits
£	PWLB loans	£	£	£
(4,000,000)	Over 20 but not over 25 years	(4,000,000)	100% fixed if maturity structure 10 years and above	0%
(6,000,000)	Over 25 but not over 30 years	(6,000,000)		
(19,000,000)	Over 40 but not over 45 years	(12,389,734)		
(29,000,000)		(22,389,734)		

All trade and other payables (£4,356,675; £3,704,516 for 2008-09) are due to be paid in less than one year and are not shown in the table above.

Market risk

Interest rate risk - The Council is exposed to interest rate movements on its borrowing and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in interest rates would have the following effects:

- borrowing at variable rates – the interest expense charged to the Income and Expenditure Account will rise;
- borrowing at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- investments at variable rates – the interest income credited to the Income and Expenditure Account will rise; and
- investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Income and Expenditure Account or Statement of Total Realised Gains and Losses. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Income and Expenditure Account and affect the General Fund balance, subject to influences from Government grants.

Movements in the fair value of fixed rate investments will be reflected in the Statement of Total Realised Gains and Losses, unless the investments have been designated as Fair Value through the Income and Expenditure Account, in which case gains and losses will be posted to the Income and Expenditure Account.

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The Borough Treasurer will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk of interest rate loss is partially mitigated by Government grants payable on financing costs.

For 2009-10 (and 2008-09) the Council did not hold any variable rate borrowings or investments. The Treasury Management Strategy sets out the maximum proportion of borrowings and investments that may be held in variable rate instruments.

For 2009-10 (and 2008-09) the Council held fixed rate borrowings with the Public Works Loans Board and short-term fixed rate investments.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be to decrease the fair value of fixed rate borrowing liabilities by £3,432,650 to a fair value of £19,574,327 for 2009-10.

The approximate impact of a 1% fall in interest rates would increase the fair value of fixed rate borrowing liabilities by £4,463,167 to a fair value of £27,470,144 for 2009-10.

Price risk - The Council does not invest in equity shares or marketable bonds and thus has no exposure to loss arising from movements in the stock markets.

Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies, therefore there is no exposure to loss arising from movements in the exchange rates.

Financial instruments balances

The borrowings and investments disclosed in the Balance Sheet are made up of the following categories of financial instruments:

	Long-term		Current	
	31 March 2009	31 March 2010	31 March 2009 Restated	31 March 2010
	£	£	£	£
Financial liabilities at amortised cost				
Trade creditors Note 37	0	0	(3,704,516)	(4,356,675)
Long-term borrowing principal	(29,000,000)	(22,389,734)	0	0
Accrued interest on borrowing	(633,282)	(489,173)		
Total borrowings	(29,633,282)	(22,878,907)	(3,704,516)	(4,356,675)
Loans and receivables				
Trade debtors Note 35	0	0	1,594,998	1,038,594
Total investments	0	0	1,594,998	1,038,594

Financial instruments gains and losses

The gains and losses recognised in the Income and Expenditure Account and the Statement of Total Recognised Gains and Losses in relation to financial instruments are as follows:

2009-10	Financial liabilities: measured at amortised cost	Financial assets: loans and receivables	Total
	£	£	£
Interest payable	(994,929)	0	(994,929)
Interest and investment income	0	16,558	16,558
Net gain/(loss) for the year	(994,929)	16,558	(978,371)

2008-09	Financial liabilities: measured at amortised cost	Financial assets: loans and receivables	Total
	£	£	£
Interest payable	(1,276,500)	0	(1,276,500)
Interest income	0	462,405	462,405
Net gain/(loss) for the year	(1,276,500)	462,405	(814,095)

Fair value of assets and liabilities carried at amortised cost

Financial liabilities and financial assets represented by loans and receivables are carried in the Balance Sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments, using the following assumptions:

- For loans from the PWLB, premature repayment rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures, the rates applied at 31 March 2010 are from 4.29% to 4.42%; 3.97% to 4.15% were applied at 31 March 2009.
- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

The fair values calculated are as follows:

31 March 2009 Restated			31 March 2010	
Carrying amount	Fair value		Carrying amount	Fair value
£	£		£	£
(29,633,282)	(30,993,447)	PWLB debt	(22,389,734)	(23,006,977)
(3,704,516)	(3,704,516)	Trade creditors	(4,356,675)	(4,356,675)
(33,337,798)	(34,697,963)	Total Financial Liabilities	(26,746,409)	(27,363,652)
1,594,998	1,594,998	Trade debtors	1,038,594	1,038,594
1,594,998	1,594,998	Total Loans and Receivables	1,038,594	1,038,594

The fair value of the financial liabilities is higher than the carrying amount because the Council's portfolio of loans includes a number of fixed rate loans where the interest rate payable is higher than the rates available for similar loans at the Balance Sheet date. This commitment to pay interest above market rates increases the amount that the Council would have to pay if an early repayment of the loans was made.

8. Contribution to housing pooled capital receipts

Since the 1 April 2004 authorities are required to pay a proportion of specified housing related capital receipts into a Government pool for redistribution. For 2009-10 the Council contributed £243,988 to the Government pool (£235,905 for 2008-09).

This levy does not have an impact on council tax as it is funded by a transfer from usable capital receipts in the Statement of Movement on the General Fund Balance.

9. Retirement benefits

As part of the terms and conditions of employment of its officers the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that need to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Cumbria County Council – this is a funded defined benefit final salary scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge which is required to be made against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the General Fund Balance. The following transactions have been made in the Income and Expenditure Account and Statement of Movement on the General Fund Balance during the year:

	Local Government Pension Scheme	
	£	
	2008-09	2009-10
Income and Expenditure Account		
Net Cost of Services:		
current service cost	1,078,000	699,000
past service cost	0	31,000
curtailment cost		51,000
<i>Included in Net Cost of Services</i>	1,078,000	781,000
Net Operating Expenditure:		
- interest cost	4,761,000	4,648,000
- expected return on assets in the scheme	(3,485,000)	(2,679,000)
<i>Included in Net Operating Expenditure</i>	1,276,000	1,969,000
Net Charge to the Income and Expenditure Account	2,354,000	2,750,000
Statement of Movement on the General Fund Balance:		
- reversal of net charges made for retirement benefits in accordance with FRS 17	(2,354,000)	(2,750,000)
	(2,354,000)	(2,750,000)
Actual amount charged for pensions in the year:		
- employers' contributions payable to scheme	1,302,180	1,361,149
- retirement benefits payable to pensioners	329,856	408,642
Total actual pensions paid in the year	1,632,036	1,769,791

In addition to the recognised gains and losses included in the Income and Expenditure Account, an actuarial loss of £9,216,000 (a gain of £1,461,000 in 2008-09) was included in

the Statement of Total Recognised Gains and Losses (STRGL). The cumulative amount of actuarial gains and losses recognised in the STRGL is a loss of £12,918,000 at 31 March 2010; a loss of £3,696,000 at 31 March 2009.

Assets and liabilities in relation to retirement benefits

The underlying assets and liabilities for retirement benefits attributable to the Council at 31 March are as follows:

	Local Government Pension Scheme	
	2008-09	2009-10
Present Value of the scheme liabilities:	£	£
1 April	79,108,000	66,650,000
Prior year contributions to the scheme	0	(6,000)
Current service cost	1,078,000	699,000
Interest cost	4,761,000	4,648,000
Contributions by scheme members	371,000	370,000
Actuarial (gains) and losses	(15,111,000)	18,837,000
Benefits paid	(3,557,000)	(3,424,000)
Past service costs	0	31,000
Curtailment costs	0	51,000
31 March	66,650,000	87,856,000

	Local Government Pension Scheme	
	2008-09	2009-10
Fair Value of the scheme assets:	£	£
1 April	56,171,000	44,445,000
Expected return on assets	3,485,000	2,679,000
Actuarial gains and (losses)	(13,650,000)	9,621,000
Employer contributions	1,625,000	1,770,000
Contributions by scheme members	371,000	370,000
Benefits paid	(3,557,000)	(3,424,000)
31 March	44,445,000	55,461,000

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at the Balance Sheet date. Expected returns on equity investments reflect long-term real rates of return in the respective markets.

The actual return on scheme assets in the year was £12,300,000 (£10,165,000 in 2008-09).

Scheme history

All in £'s	2005-06*	2006-07 As Revised	2007-08 As Revised	2008-09	2009-10
Present Value of liabilities	74,245,000	72,669,000	79,108,000	66,650,000	87,856,000
Fair Value of assets	55,540,000	57,379,000	56,171,000	44,445,000	55,461,000
Scheme deficit	18,705,000	15,290,000	22,937,000	22,205,000	32,395,000

* The Council has elected not to restate the fair value of assets for 2005-06 as permitted by FRS17.

The liabilities show the underlying commitments that the Council has in the long term to pay retirement benefits. The net liability of £32,395,000 at 31 March 2010 (£22,205,000 at 31 March 2009) has a substantial impact on the net worth of the Council as recorded in the Balance Sheet.

However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy as it will be made good by increased contributions over the remaining working life of employees, as assessed by the scheme actuary.

The total contributions expected to be made to the Local Government Pension Scheme in the year to 31 March 2011 is £1,795,140.

Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels etc.

The liabilities have been assessed by Mercer Human Resources Consulting Limited, an independent firm of actuaries, estimates for the Cumbria County Council fund being based on the latest full valuation of the scheme as at 31 March 2007.

The main assumptions used in their calculations have been:

	Local Government Pension Scheme	
	2008-09	2009-10
Rate of inflation	3.3%	3.3%
Rate of increase in salaries	5.05%	5.05%
Rate of increase in pensions	3.3%	3.3%
Rate for discounting scheme liabilities	7.1%	5.6%
Take-up of option to convert annual pension into retirement grant	50%	50%

	Local Government Pension Scheme	
	2008-09	2009-10
Expected rate of return on assets:		
- Equities	7.5%	7.5%
- Government Bonds	4.0%	4.5%
- Other Bonds	6.0%	5.2%
- Property	6.5%	6.5%
- Cash /Liquidity	0.5%	0.5%
- Other	7.5%	7.5%
Mortality assumptions:		
Longevity at 65 for current pensioners – men	21.2	21.2
– women	24.0	24.1
Longevity at 65 for future pensioners – men	22.2	22.2
– women	25.0	25.0

The scheme's assets consist of the following categories, by proportion to the total assets held:

	31 March 2009	31 March 2010
	%	%
Equities	49.7	53.1
Government Bonds	20.5	20.4
Other Bonds	8.9	9.8
Property	6.3	5.8
Cash / Liquidity	2.3	2.3
Other	12.3	8.6
Total	100	100

History of experience gains and losses

The actuarial gains identified as movements on the Pensions Reserve in 2009-10 can be analysed into the following categories, measured as a percentage of assets or liabilities at 31 March 2010:

	2005-06	2006-07 as revised	2007-08 as revised	2008-09	2009-10
	%	%	%	%	%
Differences between the expected and actual return on assets	12.9	0.6	(5.6)	(30.7)	17.3
Experience gains and losses on liabilities	(1.0)	0	0.4	0	0

10. General Government grants

These are Government grants that are not attributable to specific services. The grants for 2009-10 that the Council received are shown below.

2008-09		2009-10
£		£
(1,086,006)	Revenue Support Grant	(1,688,639)
(2,809,693)	Area Based Grant	(3,485,181)
(13,635)	Local Authority Business Growth Incentive	(25,940)
0	Housing Planning Delivery Grant	(73,000)
(3,909,334)	Total	(5,272,760)

11. Members allowances

The Council has 36 councillors, the details of allowances and expenses are:

2008-09		2009-10
£		£
81,644	Basic allowance	82,940
33,106	Extra responsibility allowance	34,376
13,646	Expenses	18,945
128,396	Total	136,261

There is also a Mayoral honorarium for their year in office for mayors' duties and civic receptions. For 2009-10 the honorarium is £5,080 (£5,020 for 2008-09).

12. Senior Officer remuneration

Regulation 4 of the Accounts and Audit (Amendment No.2) (England) Regulations 2009 introduced a new legal requirement to increase transparency and accountability in Local Government for reporting remuneration of Senior Employees.

The number of employees which includes all Senior Officers, whose remuneration excluding employer's pension contributions, was £50,000 or more in bands of £5,000 were:

Remuneration band	2008-09 Restated	2009-10
	Number of employees	Number of employees
£60,000 - £64,999	1	1
£65,000 - £69,999	1	0
£70,000 - £74,999	1	2
£95,000 - £99,999	1	1

The following table sets out the above Senior Officers emoluments for 2009-10 and the comparative year, 2008-09 below:

2009-10

Post title	Salary and allowances	Benefits in kind	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
	£	£	£	£	£
Chief Executive	99,645	0	99,645	23,915	123,560
Director of Corporate Services	72,178	0	72,178	17,323	89,501
Director of Regeneration and Community Services	66,159	4,453	70,612	15,845	86,457
Borough Treasurer	54,592	6,002	60,594	14,002	74,596
	292,574	10,455	303,029	71,085	374,114

2008-09

Post title	Salary and allowances	Benefits in kind	Total remuneration excluding pension contributions	Pension contributions	Total remuneration including pension contributions
	£	£	£	£	£
Chief Executive	99,540	0	99,540	22,894	122,434
Director of Corporate Services	71,248	0	71,248	16,387	87,635
Director of Regeneration and Community Services	65,308	4,384	69,692	14,989	84,681
Borough Treasurer	54,592	5,900	60,492	14,576	75,068
	290,688	10,284	300,972	68,846	369,818

The allowances include car subsidy, telephone and local election allowance. The benefits in kind relate to lease cars.

13. Audit costs

In 2009-10 the Council incurred the following fees relating to external audit:

2008-09		2009-10
£	Fees payable to the Audit Commission:	£
117,166	For external audit services carried out by the appointed auditor	118,821
40,270	For the certification of grants and claims	45,250
1,150	National Fraud Initiative	2,490
0	Other services provided by the Audit Commission	0
158,586	Total	166,561

14. Value Added Tax

There is £919 of irrecoverable VAT within the Central Services to the Public, Net Cost of Services line, relating to the VAT element of Officer and Member mileage claims; £2,458 for 2008-09. From September 2009 the Council has introduced the requirement for petrol receipts with mileage claims and the VAT element has been recovered.

15. Related parties

The Council is required to disclose material transactions with related parties. These are bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council.

Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have restricted another party's ability to bargain freely with the Council.

Central government has effective control over the general operations of the Council. It is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties. Details of transactions with government departments are set out in **Notes 10, 54 and 58**.

During 2009-10 the Council distributed the Working Neighbourhood Fund, Safer Stronger Community Fund and Inspiring Communities allocations from Central Government. The organisations that have received funding are as follows:

Age Concern
Ark Education
ASDAN Ltd
Barracudas Ltd
Barrow AFC Ltd
Barrow Borough Sports Council
Barrow Youth Inclusion Project
Brathay Trust
Business Against Crime South Lakes Partnership
Connexions Cumbria
Cumbria Constabulary
Cumbria County Council
Cumbria CVS
Dare Dance
Furness Academy
Furness Enterprise
Hindpool Community Base
Inside Out
Lancaster University
Signal Films
Victim Support

The Council provides material financial assistance to a number of local organisations, some of which are voluntary organisations and others provide services on behalf of the Council:

2008-09 £		2009-10 £
	Voluntary organisations	
97,030	Barrow Citizens Advice Bureau	99,280
14,310	Barrow and District Disability Association	14,660
	Providing services on behalf of the Council	
39,305	Furness Enterprise Ltd	40,485
25,000	West Lakes Renaissance	25,000
175,645	Total	179,425

26 Senior Council Officers and all 36 Members were asked to declare any direct financial relationships, other than remuneration, with the authority.

For 2009-10 there were 4 members receiving housing benefit as a private landlord, 1 members business received rate relief and there were 3 members that transacted business as a supplier of the Council.

In 2008-09 there was 1 Senior Officer and 4 members receiving housing benefit as a private landlord and there were 3 members that transacted business as a supplier of the Council.

The value of the transactions with the Council is shown below.

2008-09		2009-10
£		£
	Senior Officers	
3,650	Received housing benefit as a private landlord	0
	Members	
39,408	Received housing benefit as a private landlord	168,647
0	Received business rate relief	3,104
95,153	Traded with the Council as a supplier	4,210
138,211		175,961

16. Other items of Income and Expenditure

The Council does not currently have any transactions relating to acquired or discontinued operations, foreign currency translation or research and development.

17. Explanation of the significance of the Statement of Movement on the General Fund Balances

The Income and Expenditure Account discloses the income receivable and expenditure incurred in running the Council for the year. The surplus or deficit achieved on the Income and Expenditure Account represents the amount by which income is greater than or less than expenditure.

However, the items of income and expenditure that are required to be credited or charged to the General Fund and which therefore must be taken into account in determining the Council's budget requirement and in turn its Council Tax demand is determined by statute and non-statutory practices rather than in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The surplus or deficit on the Income and Expenditure Account is the best measure of the Council's financial result for the year in accordance with UK GAAP, the movement on the General Fund Balance is also an important aspect of the Council's stewardship.

To arrive at the Movement on the General Fund Balance it is necessary to include the following areas:

- Amounts included in the Income and Expenditure Account but required by statute to be excluded when determining the Movement on the General Fund Balance for the year.
- Amounts not included in the Income and Expenditure Account but required to be included by statute when determining the Movement on the General Fund Balance for the year.
- Transfers to or from the General Fund Balance that are required to be taken into account when determining the Movement on the General Fund Balance for the year.

The summation of these items is the net effect of statutory provisions that specify the net expenditure that authorities need to take into account when setting local taxes. This net expenditure is applied to the surplus or deficit on the Income and Expenditure Account to arrive at the Movement on the General Fund Balance in accordance with statutory and non-statutory proper practices.

18. Breakdown of reconciling items in the Statement of Movement on the General Fund Balance

The amounts in addition to the Income and Expenditure Account surplus or deficit for the year that are required by statute and non-statutory proper practices to be charged or credited to the General Fund in determining the movement on the General Fund Balance are as follows:

Previous Year Restated		Current Year	
		£	£
(1,466,433)	Depreciation of fixed assets	(2,346,570)	
(16,023,975)	Impairment of fixed assets Note 25	(3,142,922)	
0	Gain on previous impairment loss Note 25	1,436,701	
(1,018,295)	Assets written down to revenue	(72,180)	
2,363,362	Deferred grants amortised to revenue	598,719	
507,522	Deferred grants fully released	440,436	
(1,569,865)	Revenue Expenditure Funded From Capital Under Statute (REFFCUS) Note 28	(2,287,990)	
1,534,862	Grant associated with REFFCUS Note 28	2,268,100	
(406,155)	Net loss on sale of fixed assets	(103,366)	
3,258	Net gain on sale of contingent assets	50,678	
(2,354,000)	Net charges made for retirement benefits in accordance with FRS 17 Note 9	(2,750,000)	
241,073	Differences between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	241,073	
(74,372)	Council Tax adjustment Note 46	6,462	
(18,263,018)	Total to be excluded from Income and Expenditure account		(5,660,859)
813,984	Minimum revenue provision for the repayment of debt Note 29	1,105,260	
(235,905)	Transfer from Usable Capital Receipts to meet payments to the Housing Capital Receipts Pool Note 8	(243,988)	
1,223,263	Capital expenditure charged to revenue	315,482	
1,632,035	Employer's contributions payable to the Superannuation Pension Fund and retirement benefits payable direct to pensioners Note 9	1,769,791	
3,433,377	Total to be included in Income and Expenditure account		2,946,545
120,557	HRA balance Page 52	(22,918)	
(125,882)	Transfers to or from the Major Repairs Reserve	493,289	
1,032,633	Net transfer to or from earmarked reserves Note 47	1,876,125	
1,027,308	Total movement in reserves		2,346,496
(13,802,333)	Net additional amount required to be credited to the General Fund balance for the year		(367,818)

19. Movement on operational fixed assets

	Council dwellings	Land and buildings	Equipment	Infra-structure	Community assets	Total
	£	£	£	£	£	£
Balance sheet value						
At 31 March 09	80,370,912	43,591,465	3,514,218	2,001,323	9,516,351	138,994,269
Reclassification of assets	(60,000)	302,920	(42,488)	42,488	(54,370)	188,550
Items written down to revenue	0	0	0	0	(27,180)	(27,180)
Assets written out at end of useful economic life	0	0	(128,838)	0	0	(128,838)
Reversal of a previous impairment loss 1/4/09	1,361,557	1,064	0	0	0	1,362,621
Revaluation gain 1/4/09	1,914,309	247,193	0	0	0	2,161,502
Impairment loss 1/4/09	(252,642)	(130,358)	0	0	(15,000)	(398,000)
Eliminate depreciation on revaluation 1/4/09	(1,561,600)	(182,780)	0	0	0	(1,744,380)
Impairment loss on commissioning	0	(494,204)	0	0	0	(494,204)
Acquisitions in year	0	0	385,958	0	0	385,958
Enhancements in year	1,791,215	1,056,787	9,145	0	385,597	3,242,744
Disposals in year	(207,001)	0	0	0	0	(207,001)
At 31 March 10	83,356,750	44,392,087	3,737,995	2,043,811	9,805,398	143,336,041
Depreciation						
At 31 March 09	0	0	(1,315,777)	(123,947)	(50,046)	(1,489,770)
Reclassification of assets	0	0	42,488	(42,488)	0	0
Assets written out at end of useful economic life	0	0	128,838	0	0	128,838
Charged in the year	(1,561,600)	(1,192,292)	(761,224)	(66,438)	(38,307)	(3,619,861)
Eliminate depreciation on revaluation 1/4/09	1,561,600	182,780	0	0	0	1,744,380
At 31 March 09	0	(1,009,512)	(1,905,675)	(232,873)	(88,353)	(3,236,413)
Net Book Value at 31 March 09	80,370,912	43,591,465	2,198,441	1,877,376	9,466,305	137,504,499
Net Book Value at 31 March 10	83,356,750	43,382,575	1,832,320	1,810,938	9,717,045	140,099,628
Estimated useful economic life	30 years	5-75 years	3-50 years	3-50 years	20-30 years	

20. Movement on non-operational fixed assets

	Commercial and other properties	Assets under construction	Surplus assets, held for disposal	Total
	£	£	£	£
Balance sheet value				
At 31 March 09	15,739,045	10,580,565	8,182,464	34,502,074
Eliminate depreciation from 2008-09 reclassification	0	(14,660)	0	(14,660)
Reclassification of assets	2,507,769	(2,756,319)	60,000	(188,550)
Items written down to revenue	(45,000)	0	0	(45,000)
Reversal of a previous impairment loss 1/4/09	74,080	0	0	74,080
Revaluation gain 1/4/09	48,967	0	0	48,967
Impairment loss 1/4/09	(412,589)	(107,122)	(62,763)	(582,474)
Eliminate depreciation on revaluation 1/4/09	(128,967)	0	0	(128,967)
Impairment loss on commissioning	(2,209,485)	0	0	(2,209,485)
Acquisitions in year	0	380,000	964,350	1,344,350
Enhancements in year	619,449	3,221,037	538,477	4,378,963
Disposals in year	(108,000)	0	(615,987)	(723,987)
At 31 March 10	16,085,269	11,303,501	9,066,541	36,455,311
Depreciation				
At 31 March 09	0	(14,660)	0	(14,660)
Eliminate depreciation from 2008-09 reclassification	0	14,660	0	14,660
Charged in the year	(436,122)	0	0	(436,122)
Eliminate depreciation on revaluation 1/4/09	128,967	0	0	128,967
At 31 March 10	(307,155)	0	0	(307,155)
Net Book Value at 31 March 09	15,739,045	10,565,905	8,182,464	34,487,414
Net Book Value at 31 March 10	15,778,114	11,303,501	9,066,541	36,148,156
Estimated useful economic life	5-50 years	Not applicable	Not applicable	

Depreciation of all fixed assets is calculated to write down the value of an asset less its residual value over the economic life of that asset. Depreciation is calculated on a straight line basis and charged to the appropriate revenue service. The indication of estimated useful economic life excludes land held as an asset which is held at 999 years, or in perpetuity.

21. Summary of movement on fixed assets

	Operational assets	Non-operational assets	Total fixed assets
	£	£	£
Balance sheet value			
At 31 March 09	138,994,269	34,502,074	173,496,343
Eliminate depreciation from 2008-09 reclassification	0	(14,660)	(14,660)
Reclassification of assets	188,550	(188,550)	0
Items written down to revenue	(27,180)	(45,000)	(72,180)
Assets written out at end of useful economic life	(128,838)	0	(128,838)
Reversal of a previous impairment loss 1/4/09	1,362,621	74,080	1,436,701
Revaluation gain 1/4/09	2,161,502	48,967	2,210,469
Impairment loss 1/4/09	(398,000)	(582,474)	(980,474)
Eliminate depreciation on revaluation 1/4/09	(1,744,380)	(128,967)	(1,873,347)
Impairment loss on commissioning	(494,204)	(2,209,485)	(2,703,689)
Acquisitions in year	385,958	1,344,350	1,730,308
Enhancements in year	3,242,744	4,378,963	7,621,707
Disposals in year	(207,001)	(723,987)	(930,988)
At 31 March 10	143,336,041	36,455,311	179,791,352
Depreciation			
At 31 March 09	(1,489,770)	(14,660)	(1,504,430)
Eliminate depreciation from 2008-09 reclassification	0	14,660	14,660
Reclassification of assets	0	0	0
Assets written out at end of useful economic life	128,838	0	128,838
Charged in the year	(3,619,861)	(436,122)	(4,055,983)
Eliminate depreciation on revaluation 1/4/09	1,744,380	128,967	1,873,347
At 31 March 09	(3,236,413)	(307,155)	(3,543,568)
Net Book Value at 31 March 09	137,504,499	34,487,414	171,991,913
Net Book Value at 31 March 10	140,099,628	36,148,156	176,247,784

22. Reclassification of fixed assets

The movements between asset classifications are summarised below, these are the values as at 1 April 2009.

Asset classification	Operational assets					Non-operational assets			Total
	Council dwellings	Land and buildings	Equipment	Infrastructure	Community assets	Commercial and other properties	Assets under construction	Surplus assets	
	£	£	£	£	£	£	£	£	
Demolished flats	(60,000)							60,000	0
Arches		(60,000)				60,000			0
Car parks		362,920					(362,920)		0
Footpath lighting			(42,488)	42,488					0
Allotment site					(54,370)		54,370		0
Construction land						(1,039,110)	1,039,110		0
Industrial units						2,733,196	(2,733,196)		0
Office building						753,683	(753,683)		0
	(60,000)	302,920	(42,488)	42,488	(54,370)	2,507,769	(2,756,319)	60,000	0

23. Fixed assets written down to revenue

A number of assets have been written down to revenue to remove them from the Council's asset base. This occurs when an asset is identified as not being owned by the Council, although historically it has been added into the Council's Asset Register, or when the title has been transferred and the Council's Asset Register has not been updated.

The movements are summarised below:

Asset classification	Written down to revenue
	£
Community assets – rented allotment sites	(27,180)
Commercial and other properties – adopted highway	(45,000)
Net movement	(72,180)

24. Fixed assets written out at end of life

A number of assets have been written out of the Balance Sheet and Asset Register as they have reached the end of their useful economic life. These are equipment items that are not suitable to re-life as they have been completely consumed through service delivery. The accumulated depreciation is written out against the gross book value to remove the assets from the Balance Sheet as their new book value is already zero.

25. Revaluation and impairment of fixed assets

Where on revaluation there has been an increase over the previous carrying amount, a revaluation gain has occurred.

The increase in value is credited against any previous impairment charged to the Income and Expenditure Account, where the gain has occurred from a reversion of the original cause. Where there is no previous impairment to reverse, the revaluation gain is credited to the Revaluation Reserve.

Where on revaluation there has been a decrease over the previous carrying amount, an impairment loss has occurred. All of the impairment losses relate to a decline in market value either on revaluation or on commissioning of the asset into use.

The decrease in value is charged against any previous revaluation gains held in the Revaluation Reserve on an individual asset basis. Where there is a nil balance in the Revaluation Reserve, the decrease is charged in the Income and Expenditure Account.

Asset classification	Revaluation Reserve	Income and Expenditure Account	Total
	£	£	£
Reversal of a previous impairment loss at 1/4/09			
Council dwellings		1,361,557	1,361,557
Operational land and buildings		1,064	1,064
Commercial and other properties		74,080	74,080
Total of reversed impairment		1,436,701	1,436,701
Revaluation gains at 1/4/09			
Council dwellings	1,914,309		1,914,309
Operational land and buildings	247,193		247,193
Commercial and other properties	48,967		48,967
Total of revaluation gains	2,210,469		2,210,469
Impairment loss at 1/4/09			
Council dwellings	(149,073)	(103,569)	(252,642)
Operational land and buildings	(95,585)	(34,773)	(130,358)
Community assets	(3,250)	(11,750)	(15,000)
Commercial and other properties	(239,428)	(173,161)	(412,589)
Assets under construction	(53,905)	(53,217)	(107,122)
Surplus assets	0	(62,763)	(62,763)
Impairment loss on commissioning assets into use			
Operational land and buildings	0	(494,204)	(494,204)
Commercial and other properties	0	(2,209,485)	(2,209,485)
Total of impairment losses	(541,241)	(3,142,922)	(3,684,163)
Total	1,669,228	(1,706,221)	(36,993)

26. Valuation information

The last full valuation of Council assets was undertaken at the 1 April 2008. The Housing Revenue Account assets have been subsequently revalued at the 1 April 2009 and a number of other assets have been revalued both at 1 April 2009 and as they have been commissioned into use.

All valuations are performed by external valuers and the certified values used in these accounts were prepared by Mr R Bulger from the Valuation Office Agency and Mr S Adams of Peill and Company, both Fellows of the Royal Institution of Chartered Surveyors; and Mr M Messenger from Norfolk Property Services, Member of the Royal Institution of Chartered Surveyors.

Valuation certificates	Valued as at	£
Valuation Office Agency	1 April 2009	83,952,486
Valuation Office Agency	1 April 2008	1,487,246
Peill and Company	1 April 2008	16,680,206
Norfolk Property Services	1 April 2008	39,568,751
Norfolk Property Services	Date commissioned into use during 2009-10	1,449,740
Total		143,138,429

Operational assets	Council dwellings	Land and buildings	Community assets	Total
	£	£	£	£
Valued at historic cost	0	35,384,217	0	35,384,217
Valued at current value as at:				
1 April 2008	0	5,971,786	72,000	6,043,786
1 April 2009	81,832,536	1,454,950	0	83,287,486
Date commissioned into use during 2009-10	0	95,840	0	95,840
Total	81,832,536	42,906,793	72,000	124,811,329

Non-operational assets	Commercial and other properties	Assets under construction	Surplus assets	Total
	£	£	£	£
Valued at historic cost	225,000	0	0	225,000
Valued at current value as at:				
1 April 2008	15,488,800	273,000	321,400	16,083,200
1 April 2009	665,000	0	0	665,000
Date commissioned into use during 2009-10	1,353,900	0	0	1,353,900
Total	17,732,700	273,000	321,400	18,327,100

All asset values shown in the Balance Sheet are net of depreciation. Council dwellings are included at their Existing Use Value – Social Housing Value. Operational assets are included at the lower of net current replacement value or net realisable value in existing use apart from specialised property which is included at depreciated replacement cost. Non-operational assets are included at the lower of net current replacement value or net realisable value. Infrastructure assets, equipment and community assets are included at historical cost. Assets under construction are held at cost as non-operational assets until they are commissioned.

During 2008-09 the Council assets suffered a significant impairment loss caused by the fall in prices in the property market in general. Following advice from the Valuers concerned, the impairment in value that occurred during 2008-09 has not fully abated and there is no further impairment loss across the asset types in general. During 2009-10 some individual assets have suffered an impairment loss when they were revalued and a number of assets have gained in value, reversing the impairment loss from 2008-09.

27. Capital Financing Requirement

2008-09		2009-10
£		£
32,573,297	Opening Capital Financing Requirement	33,874,490
	Capital investment:	
	Operational assets	
1,977,594	Council dwellings	1,791,215
1,251,414	Land and buildings	1,056,787
1,333,821	Equipment	395,103
428,185	Community assets	385,597
	Non-operational assets	
1,286,246	Commercial and other properties	619,449
4,855,369	Assets under construction	3,601,037
2,954,385	Surplus assets	1,502,827
1,569,865	Revenue Expenditure Funded from Capital Under Statute (REFFCUS)	2,287,990
	Sources of finance:	
(642,407)	Capital receipts	(300,066)

(9,282,528)	Government grants and contributions	(6,031,350)
(1,534,862)	Grants relating to REFFCUS	(2,268,100)
(2,081,905)	Balances, reserves and revenue contributions	(1,866,439)
(813,984)	Minimum revenue provision	(1,105,260)
33,874,490	Closing Capital Financing Requirement	33,943,280
	Explanation of movements in year:	
1,301,193	Increase/(decrease) in underlying need to borrow for capital expenditure that was incurred before 1 April 2008	(909,972)
0	Increase in underlying need to borrow for capital expenditure that was incurred after 1 April 2008	978,762
1,301,193	Increase in Capital Financing Requirement	68,790

REFFCUS expenditure and related grants form part of the deficit on the Income and Expenditure Account.

28. Revenue Expenditure Funded From Capital Under Statute (REFFCUS)

Legislation allows some expenditure, which does not create a fixed asset, to be classified as capital for funding purposes. This will enable the authority to use capital resources and not impact on the Council Tax.

This type of expenditure is charged, with any related grants, to the Income and Expenditure Account and neutralised in the Statement of Movement on General Fund Balance (SMGFB).

29. Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is the statutory requirement for the Council to make provision to repay external debt. The Council's MRP policy is to provide the statutory 4% to the General Fund Capital Financing Requirement for capital expenditure incurred before 1 April 2008 for General Fund purposes. For capital expenditure incurred after the 1 April 2008, the provision will be based on the normal depreciation method.

The MRP for 2009-10 is £1,105,260 (£813,984 for 2008-09).

30. Assets numbers

	Number as at 31 March 2009	Number as at 31 March 2010
Operational fixed assets:		
Dwellings	2,735	2,717
Arches	1	0
Artificial Pitch	1	1
Arts Centre	1	1
Car Parks	14	16
Cemetery Buildings	4	4
Conveniences	8	8
Dog Kennels	1	1
Community Centres	12	12
HRA Garages	487	487
Leisure Centre	1	1
Markets	2	1
Museums	1	1
Operational Offices	2	2
Parks Buildings	4	4
Equipment	52	58
Community Assets	98	96
Infrastructure Assets	11	12

Non-Operational fixed assets:		
Commercial and other property	76	79
Surplus assets	142	157
Assets under construction	14	13

The Arches have been transferred from operational assets to non-operational commercial and other property during 2009-10. The Car Parks have increased in 2009-10, these were assets under construction that have been brought into use. The Market line has reduced to reflect the Mall transferring into non-operational commercial and other property during 2009-10.

31. Information on major operational assets held

Net book Value 31 March 2009		Valuation base	Expected life	Net Book Value 31 March 2010
£				£
8,970,619	Town Hall	Depreciated Replacement Cost	75 years	8,974,549
8,832,016	Park Leisure Centre	Depreciated Replacement Cost	50 years	8,780,447
8,528,153	Forum 28	Depreciated Replacement Cost	30 years	8,335,870
5,796,786	Dock Museum	Depreciated Replacement Cost	25 years	5,619,454
1,814,624	Crematorium	Depreciated Replacement Cost	20 years	1,735,033

32. Capital commitments

As at 31 March 2010 the Council was contractually committed to capital works which amounted to £2,691,328, of which £2,301,072 is grant funded. Capital commitments at 31 March 2009 were £169,662.

31 March 2009	Capital projects	31 March 2010
£		£
34,292	Building refurbishment	2,254,313
0	Link Road Phase II	250,000
0	Environmental improvements	165,507
126,869	Retentions	21,508
8,501	Housing IT system	0
169,662		2,691,328

33. Long-term debtors

At the Balance Sheet date the Council had the following long-term debtors:

31 March 2009		31 March 2010
£		£
7,367	Mortgage principal	5,300
0	Catering contract deposit	5,000
7,367		10,300

The outstanding mortgage principal relates to Council dwellings purchased under the Right to Buy (RTB) scheme.

34. Stocks

At the Balance Sheet date the Council had the following stocks:

31 March 2009		31 March 2010
£		£
11,854	Tourist Information Centre	12,646
11,220	Dock Museum shop	10,851
7,512	Other stocks held for internal issue	6,348
30,586		29,845

35. Debtors

At the Balance Sheet date the Council had the following debtors:

31 March 2009 Restated		31 March 2010
£		£
610,511	Council tax arrears	530,432
404,706	HRA rent arrears	327,326
4,945,267	Government departments	5,905,841
1,594,998	Trade debtors	1,038,594
394,341	Sundry debtors	249,288
511,050	Benefit overpayments	545,390
266,176	Payments in advance	239,864
(1,720,303)	Provision for bad and doubtful debt	(1,809,946)
7,006,746		7,026,789

The benefit overpayments relate to housing benefit overpaid to recipients where invoices have been issued to recover the debt. In addition to these overpayments are also recovered from ongoing benefit entitlement where possible. At the 31 March 2010 the overpayments being collected from future ongoing entitlement is estimated to be £270,651 (£268,376 at 31 March 2009).

36. Short-term borrowing

The short-term borrowing represents the interest due as at the Balance Sheet date, payable within the next 12 months on the long-term borrowing that the Council held at the Balance Sheet date.

37. Creditors

At the Balance Sheet date the Council had the following creditors:

31 March 2009 Restated		31 March 2010
£		£
(775,354)	Government departments	(1,104,966)
(137,995)	Council tax prepayments and receipts in advance	(83,295)
(3,704,516)	Trade creditors	(4,356,675)
(1,040,613)	Receipts in advance	(827,404)
(5,658,478)		(6,372,340)

38. Provisions

The Council established an early retirement provision in 2005-06. This provides for the payment of annual amounts due to be paid following early retirements from 2005-06 onwards.

The Council established an insurance provision in 2006-07. This provides for the payment of potential insurance claims for which the Council is not insured; also see Contingent Liabilities (**Note 51**). The movements on provisions for the year were:

2008-09		2009-10
£		£
	Early retirement provision	
(66,106)	Brought forward	(59,889)
6,217	Provision used during the year	6,217
(59,889)		(53,672)
	Insurance provision	
(632,040)	Brought forward	(449,206)
0	Recovered from insurance claim	(177,313)
182,834	Provision used during the year	0
(449,206)		(626,519)
(509,095)	Total of provisions	(680,191)

39. Unapplied grants and grants deferred

All capital grants and contributions claimed and received in the year have been credited to an unapplied grant accounts. Capital grants used to finance capital expenditure are transferred to grants-deferred accounts. Amounts are released to the relevant revenue service in line with any depreciation charged on the assets financed by those grants.

31 March 2009	Unapplied grants	31 March 2010
£		£
(2,626,899)	Balance brought forward	(3,020,970)
(8,838,491)	Grants receivable for the year	(5,112,248)
8,444,420	Grants applied to finance capital expenditure	5,791,092
(3,020,970)	Balance carried forward	(2,342,126)

31 March 2009	Deferred grants	31 March 2010
£		£
(33,692,522)	Balance brought forward	(39,011,597)
2,363,362	Grants amortised to revenue	598,719
507,522	Grants fully released to revenue	440,436
(8,189,959)	Grants applied to finance capital expenditure	(5,791,092)
(39,011,597)	Balance carried forward	(43,763,534)

40. Deferred liabilities

A property that the Council acquired by compulsory purchase order during 2007-08 was sold during 2009-10. The owner of the property cannot be traced, so the funds are held as a deferred liability which will be held for the statutory period of 12 years.

41. Reserves and Balances

The Council keeps a number of reserves and balances in the Balance Sheet.

Some reserves are required to be held for statutory reasons, some are needed to comply with proper accounting practice, and others have been set up voluntarily to earmark resources for future spending plans. Balances are held separate for statutory reasons.

The movements on reserves and balances for the year were:

Reserve or Balance	Balance 1 April 2009 Restated	Net Movement in Year	Balance 31 March 2010	Purpose of Reserve or Balance
	£	£	£	
Capital Adjustment Account Note 42	(69,836,971)	1,465,313	(68,371,658)	Store of capital resources set aside to meet past expenditure
Financial Instruments Adjustment Account Note 43	664,718	(241,073)	423,645	Balancing account to allow for differences in statutory requirements and proper accounting practices for borrowings and investments
Revaluation Reserve Note 44	(29,268,854)	(900,457)	(30,169,311)	Store of gains on revaluation of fixed assets not yet realised through sales
Usable Capital Receipts Reserve Note 45	(1,572,673)	(336,313)	(1,908,986)	Proceeds of fixed asset sales available to meet future capital investment
Pensions Reserve Note 9	22,199,154	10,196,209	32,395,363	Balancing amount to allow inclusion of Pensions Liability in the Balance Sheet
Major Repairs Reserve Page 57 Note 15	0	(411,486)	(411,486)	Resources available to meet capital investment in council housing
General Fund Balance Page 14	(1,971,258)	(292,047)	(2,263,305)	A prudent level of balance maintained for potential emergency/ extraordinary expenditure on non-housing services
HRA Balance Page 52	(845,980)	22,919	(823,061)	A prudent level of balance maintained for potential emergency/ extraordinary expenditure on Council housing services
Collection Fund Adjustment Account Note 46	52,185	(6,462)	45,723	Balance of council tax surplus or deficit to be returned to revenue in future years
Earmarked Reserves Note 47	(3,005,972)	(1,876,126)	(4,882,098)	Revenue set aside for specific purposes
Total	(83,585,651)	7,620,477	(75,965,174)	

The movement notes referred to in this table may sometimes differ by rounding. This occurs when transactions are shown separately for presentation.

42. Movement on Capital Adjustment Account

2008-09		2009-10
£		£
1,466,433	Depreciation of General Fund assets	2,346,570
2,077,092	Depreciation of HRA assets	1,709,412
17,042,270	Impairment of assets	3,142,922
0	Gain on previous impairment loss	(1,436,701)
0	Assets written down to revenue	72,180
(2,363,362)	Deferred grants amortised to revenue	(598,719)
(507,522)	Deferred grants fully released	(440,436)
1,569,865	Revenue Expenditure Funded From Capital Under Statute (REFFCUS)	2,287,990
(1,534,862)	Grant associated with REFFCUS	(2,268,100)
1,123,256	Carrying value of assets on disposal	930,988
(69,235)	Revaluation gains for assets on disposal	(21,333)
0	Revaluation gains for assets on written down	(34,130)
(813,984)	Minimum Revenue Provision	(1,105,260)
(642,407)	Capital receipts used in capital financing	(300,066)
(1,092,569)	Grants used in capital financing	(240,258)
(57,225)	Revenue used in capital financing	0
(2,024,680)	Reserves used in capital financing	(1,866,439)
(1,505,467)	Conversion of current value depreciation to historic cost depreciation	(713,307)
12,667,603		1,465,313

43. Movement on Financial Instruments Adjustment Account

2008-09		2009-10
£		£
	Premiums from the early repayment of debt:	
0	Deferred premiums from rescheduling during the year to be amortised to the HRA	11,745
(249,970)	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to premiums on the early repayment of debt	(251,077)
(249,970)	Premiums from the early repayment of debt charged to the HRA in accordance with statutory provisions	(239,332)
	Discounts from the early repayment of debt:	
0	Deferred discounts from rescheduling during the year to be amortised to the HRA	(11,745)
8,897	Differences between amounts debited/credited to the Income and Expenditure Account and amounts payable/receivable to be recognised under statutory provisions relating to discounts on the early repayment of debt	10,004
8,897	Discounts from the early repayment of debt charged to the HRA in accordance with statutory provisions	(1,741)
(241,073)		(241,073)

Further details about the Council's financial liabilities and financial assets are contained in **Note 7** and the Statement of Total Recognised Gains and Losses **Page 15**.

44. Movement on Revaluation Reserve

2008-09		2009-10	
£		£	£
(33,620,580)	Gains on the revaluation of fixed assets	(2,210,469)	
8,728,905	Loss on the revaluation of fixed assets	0	
10,203,381	Loss on the impairment of fixed assets	541,241	(1,669,228)
69,235	Gains written out on the disposal of fixed assets		21,333
0	Gains written out on the write down of fixed assets		34,130
1,505,467	Conversion of current value depreciation to historic cost depreciation		713,307
(13,113,592)			(900,458)

45. Movement on Usable Capital Receipts reserve

2008-09		2009-10	
£		£	
(236,000)	Proceeds from the sale of Council dwellings	(287,905)	
(2,058)	Proceeds from the repayment of mortgage principal	(2,067)	
(3,258)	Proceeds from the repayment of Right To Buy discount	(50,678)	
(481,101)	Proceeds from the sale of fixed assets	(539,717)	
642,408	Receipts used in capital financing	300,066	
235,905	Share of receipts paid to Capital Receipts Pool	243,988	
155,896		(336,313)	

46. Movement on Collection Fund Adjustment Account

2008-09		2009-10	
£		£	
39,265	Actual surplus for 2006-07 distributed in 2008-09	0	
0	Actual deficit for 2007-08 distributed in 2009-10	(17,077)	
35,108	Actual deficit for 2008-09 distributed in 2010-11	0	
0	Actual deficit for 2009-10 distributed in 2011-12	10,615	
74,373		6,462	

47. Movement on earmarked reserves

2008-09		2009-10	
£		£	
(1,165,628)	New contributions made	(2,296,087)	
132,995	Reserve used in the year	419,962	
(1,032,633)		(1,876,125)	

48. Interests in companies

The Council holds no interests in companies.

49. Analysis of net assets employed

To provide an indication of the level of resources employed in providing the main services of the Council, the net assets employed are split between General Fund and the HRA.

Year on year the net assets employed in the General Fund and HRA have changed and this is largely caused by the increase of £10,196,209 in the liability related to the defined benefit pension scheme.

2008-09 Restated		2009-10
£		£
14,789,539	General Fund	3,163,568
68,803,479	HRA	72,806,906
83,593,018	Total net assets	75,970,474

50. Trust funds

The Council acts as an administrator of four trust funds created for charitable purposes, they do not belong to the Council and are not included in any of the accounting statements. Their financial information is shown in aggregation below:

2008-09		2009-10
£		£
90,727	Assets	43,781
(18,445)	Gross income	(11,156)
26,004	Gross expenditure	16,158
7,559	Net deficit for the year	5,002

One of the trust funds holds a land asset that has impaired in value leading to a reduction in the overall assets of the trusts.

51. Contingent liabilities

The Council is aware that there is the potential to receive claims for uninsured risks, particularly for events in the past.

As far as possible the insurance provision (**Note 38**) reflects the Councils' potential liability, but there may remain unquantifiable liabilities.

52. Cashflow restatement

The net cash inflow from revenue activities for 2008-09 differs from the audited Statement of Accounts for 2008-09 as a result of restating the Collection Fund entries. The entries are reclassified as liquid resources:

	£
Net cash inflow from revenue activities as per Statement of Accounts 2008-09	(4,717,710)
NNDR and council tax relating to the major preceptors excluded from revenue activities:	(3,743,796)
Restated net cash inflow from revenue activities	(8,461,506)
Net increase in other liquid resources as per Statement of Accounts 2008-09	104
Items now included from revenue activities	3,743,796
Restated net increase in other liquid resources	3,743,900

53. Reconciliation to the net deficit on the Income and Expenditure Account

This reconciliation takes the deficit on the Income and Expenditure account and the Collection Fund, which are prepared on an accruals basis, to a net cash inflow or outflow from revenue activities.

2008-09		2009-10
Restated		
£		£
	(Surplus)/deficit for the year	
13,856,260	Income and Expenditure account deficit for the year	75,771
	Non-cash and other excluded items:	
(1,466,433)	Depreciation	(2,346,570)
(17,042,270)	Impairment	(3,142,922)
0	Gain on previous impairment	1,436,701
0	Assets written down to revenue	(72,180)
2,363,362	Grants released to revenue	598,719
507,522	Grants released to revenue in full	440,436
(406,155)	Loss on sale of fixed assets	(103,366)
3,258	Gain on sale of contingent assets	50,678
(591,321)	Bad debt provision	(323,337)
6,218	Early retirement provision	6,218
(594,525)	NNDR paid from Income and Expenditure account	(537,817)
(24,846)	Festival fund	0
(721,964)	Effect of FRS17 pension accounting	(980,209)
(1,276,500)	Interest payable – shown elsewhere	(994,929)
462,405	Interest receivable – shown elsewhere	16,558
4,039	Accruals - (decrease)/increase in stocks	(741)
(2,656,192)	Accruals - (decrease)/increase in debtors	2,459,718
(742,371)	Accruals - decrease/(increase) in creditors	(4,571,925)
(31,339)	Accruals – (decrease)/increase in interest receivable	(2,248)
0	Accruals - decrease/(increase) in interest payable	144,109
(110,654)	Other items	(36,547)
(8,461,506)	Net movement on revenue activities	(7,883,883)

54. Analysis of capital grants received

The capital grants received by the Council on a cash basis were:

2008-09		2009-10
£		£
0	North West Development Agency	(2,072,517)
(5,062,439)	West Lakes Renaissance	(1,835,442)
(1,080,709)	European Regional Development Fund	(900,205)
(526,640)	Cumbria County Council	(482,534)
0	Seaside Town Grant	(200,000)
0	Heritage Lottery	(109,500)
0	Sea Change Grant	(100,000)
(15,511)	Safer, Stronger Communities Fund	(16,719)
0	Arts Council	(10,000)
(1,374,436)	Housing Capital Grant	0
(120,000)	Department of Health	0
(104,081)	Big Lottery	0
(92,020)	Urban Renewal Fund	0
(27,018)	Planning Delivery Grant	0
(20,000)	Marine Fisheries Agency	0
(19,500)	Sport England	0
(3,019)	Coast Protection	0
(8,445,373)		(5,726,917)

55. Analysis of other capital cash receipts

The other capital cash received by the Council on a cash basis came from:

2008-09		2009-10
£		£
(18,601)	Emlyn Hughes House insurer	0
(9,500)	Furness Maritime Trust	0
(3,258)	Proceeds from the repayment of Right To Buy discount	(50,678)
(2,058)	Proceeds from the repayment of mortgage principal	(2,067)
(33,417)		(52,745)

56. Movement in cash reconciled to the movement in net debt

2008-09		2009-10	
Restated		£	£
£			
	Balances brought forward		
562,131	- Bank	4,586,891	
4,901,987	- Liquid resources	3,745,887	
(29,000,000)	- Borrowing	(29,000,000)	
(23,535,882)	Total brought forward		(20,667,222)
	Balances carried forward		
4,586,891	- Bank	1,123,827	
3,745,887	- Liquid resources	5,294,827	
(29,000,000)	- Borrowing	(22,389,734)	
(20,667,222)	Total carried forward		(15,971,080)
2,868,660	Net (increase)/decrease for the year		4,696,142
4,024,760	Net movement on bank		(3,463,064)
(1,156,100)	Net movement on liquid resources		1,548,940
0	Net movement on financing		6,610,266
2,868,660	Net movement for the year		4,696,142

57. Reconciliation of liquid resources to the Balance Sheet

Liquid resources are cash in hand, short-term investments and the balance of transactions with the Government for NNDR and the major preceptors for Council Tax. At the Balance Sheet date the Council held the following liquid resources:

31 March 2009		31 March 2010
Restated		
£		£
2,091	Cash	2,015
3,743,796	Balance of transactions with the Government for NNDR and the major preceptors for Council Tax	5,292,812
3,745,887		5,294,827

58. Analysis of other revenue government grants

The other revenue government grants received on a cash basis by the Council were:

2008-09 Restated		2009-10
£		£
(21,354,908)	DWP grants for benefits	(24,761,316)
(7,801,311)	NNDR redistribution	(7,316,049)
(2,809,693)	Area Based Grant	(3,485,181)
(1,086,006)	Revenue Support Grant	(1,688,639)
(922,564)	Housing Capital Grant	(1,493,000)
(361,969)	Housing Benefit administration subsidy	(395,320)
(364,814)	Concessionary travel	(373,418)
(334,128)	Council Tax Benefit administration subsidy	(364,896)
(351,000)	Disabled Facilities Grant	(347,000)
0	Cumbria County Council	(246,574)
(70,000)	NHS Life check roll out grant	(100,000)
(21,750)	Free swimming grant	(76,199)
(56,114)	Planning Delivery Grant	(73,000)
(85,000)	Homelessness funding	(61,050)
0	Empty shops grant	(52,632)
(158,157)	West Lakes Renaissance housing market renewal	(51,864)
(45,034)	Safer, Stronger Communities Fund	(47,583)
0	Better Regulation	(42,000)
0	Regional choice grant	(37,818)
0	Mortgage rescue program	(28,500)
(13,635)	Local Authority Business Growth Incentive	(25,940)
(229,000)	Other grants where less than £25,000 received in 2009-10	(169,835)
(36,065,083)		(41,237,814)

59. Authorisation of accounts for issue

These accounts were originally authorised for issue by the Mohamad Saleh CFPA, BA, M.Litt, Borough Treasurer on 22 June 2010 and are now authorised for issue on the 20 September 2010 after incorporating revisions from the audit.

60. Events after the Balance Sheet date

There have been no transactions between the Balance Sheet date and the date these accounts were authorised for issue by the Borough Treasurer that meets the definition of an adjusting post balance sheet event.

A non-adjusting post balance sheet event has occurred concerning retirement benefits. In his budget statement on 22 June 2010, the Chancellor announced that the Government would start to increase public service pensions in line with the consumer price index (CPI) rather than the retail price index (RPI), which has been the practice in the past. As a result, future pension increases under the Cumbria Local Government Pension Scheme are expected to be slightly lower, on average, than would have been the case if this change had not been made. This change is estimated to reduce the FRS17/IAS19 benefit obligations by between 5% and 8% for most employers. The precise financial effect will be taken into account in the FRS17/IAS19 figures for the financial year ending 31 March 2011.

Supplementary Statements

HRA Income and Expenditure Account

2008-09 Restated		2009-10	
£		£	£
	Income		
(8,098,913)	Dwelling rents	(8,336,247)	
(284,759)	Non-dwelling rents	(306,845)	
(394,829)	Charges for services and facilities	(318,866)	
(27,540)	Contribution from another Local Authority	(37,140)	
(8,806,041)	Total Income		(8,999,098)
	Expenditure		
2,918,874	Repairs and maintenance	2,959,661	
2,814,592	Supervision and management	2,650,321	
(3,718)	Negative HRA subsidy payable Note 3	192,219	
10,036,430	Depreciation and impairment of dwellings Note 4	285,545	
48,303	Depreciation and impairment of other operational HRA fixed assets	100,833	
16,595	Debt Management Costs	11,942	
80,271	Increase in bad debt provision	43,685	
15,911,347	Total Expenditure		6,422,206
7,105,306	Net Cost of HRA Services as included in the whole authority Income and Expenditure Account		(2,754,892)
90,986	HRA share of Corporate and Democratic Core Note 5		110,938
69,788	HRA share of Non Distributed Costs Note 6		(6,578)
7,266,080	Net Cost of HRA Services		(2,650,532)
(72,800)	Gain on sale of fixed assets Note 7		(35,855)
(3,258)	Gain on sale of contingent assets		(50,678)
488,446	Interest payable		469,638
(467)	Interest income – mortgages		(261)
223,000	Pensions interest cost and expected return on pensions assets Note 8		352,000
7,901,001	(Surplus) or deficit for the year on HRA services		(1,915,688)

Statement of Movement on the HRA Balance

The Income and Expenditure Account shows the HRA's actual financial performance for the year, measured in terms of the resources consumed and generated over the last twelve months. However, the authority is required to raise rent on a different accounting basis, the main difference being:

- Retirement benefits are charged as amounts become payable to pension funds and pensioners, rather than as future benefits are earned.

The HRA Balance compares the council's spending against the rent that it raised for the year, taking into account the use of reserves built up in the past and contributions to reserves earmarked for future expenditure.

This reconciliation statement summarises the differences between the outturn on the Income and Expenditure Account and the HRA Balance:

2008-09		2009-10
£		£
7,901,001	(Surplus) or deficit for the year on the HRA Income and Expenditure Account	(1,915,688)
(8,021,558)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year Notes 1 and 2	1,938,607
(120,557)	(Increase)/decrease in the HRA Balance	22,919
(725,423)	HRA Balance brought forward	(845,980)
(845,980)	HRA Balance carried forward Note 16	(823,061)

Notes to the HRA

1. Explanation of the significance of the Statement of Movement on the HRA Balance

The HRA Income and Expenditure Account shows in more detail the income and expenditure on HRA services included in the whole authority Income and Expenditure Account. The surplus or deficit achieved on the HRA Income and Expenditure Account represents the amount by which income is greater or less than expenditure.

However, the items of income and expenditure that are required to be credited or charged to the HRA are defined in accordance with Part 6 of the Local Government and Housing Act 1989 (1989 Act) rather than in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP).

To arrive at the Movement on the HRA Balance it is necessary to include the following items:

- Amounts included in the HRA Income and Expenditure Account but required by statute to be excluded when determining the Movement on the HRA Balance for the year.
- Amounts not included in the HRA Income and Expenditure Account but required to be included by statute when determining the Movement on the HRA Balance for the year.
- Transfers to or from the HRA Balance that are required to be taken into account when determining the Movement on the HRA Balance for the year.

This net additional amount is applied to the surplus or deficit on the HRA Income and Expenditure Account to arrive at the Movement on the HRA Balance in accordance with Part 6 of the 1989 Act.

2. Breakdown of reconciling items in the Statement of Movement on the HRA Balance

The amounts in addition to the HRA Income and Expenditure Account surplus or deficit for the year that are required by Part 6 of the 1989 Act to be charged or credited to the HRA in determining the movement on the HRA Balance for the year are:

2008-09		2009-10	
£		£	£
(8,118,999)	Impairment of fixed assets	(121,307)	
0	Gain on previous impairment loss	1,368,251	
41,570	Deferred grants amortised to revenue	46,769	
0	Deferred grants fully released	35,901	
72,800	Gain on sale of HRA fixed assets	35,855	
3,258	Gain on sale of contingent assets	50,678	
241,073	Differences between amounts charged to income and expenditure for premiums and discounts and the charge for the year determined in accordance with statute	241,073	
(411,406)	Net charges made for retirement benefits in accordance with FRS 17 Note 8	(476,834)	
(8,171,704)	Total to be excluded from Income and Expenditure account		1,180,386
(125,882)	Transfer to/(from) Major Repairs Reserve Note 15	493,289	
249,244	Employer's contributions payable to the Superannuation Pension Fund and retirement benefits payable direct to pensioners Note 8	264,932	
26,784	Capital expenditure funded by the HRA	0	
150,146	Total to be included in Income and Expenditure account		758,221
(8,021,558)	Net additional amount required by statute to be debited or (credited) to the HRA Balance for the year		1,938,607

3. Negative HRA subsidy payable

The subsidy payable from the HRA to Government is composed of elements of subsidy payable and receivable for the financial year. The breakdown comes from the general formula in paragraph 3.1 of the General Determination of HRA Subsidy 2009-10, issued by the DCLG.

2008-09		2009-10	
£		£	
(1,825,782)	Allowance for management	(1,825,817)	
(3,061,765)	Allowance for maintenance	(3,015,529)	
(1,951,210)	Major Repairs Allowance	(2,202,701)	
(1,141,842)	Charges for capital	(880,668)	
(7,980,599)	Total allowance for expenditure	(7,924,715)	
7,998,282	Rent receivable	8,077,650	
836	Interest on receipts	461	
18,519	Net subsidy payable for the year	153,396	
(22,237)	Previous year adjustments	38,823	
(3,718)	Total HRA subsidy in the year	192,219	

The Major Repairs Allowance includes an additional £300,000 advanced by the Government as part of the measures to aid economic recovery.

4. Depreciation and impairment of dwellings

The depreciation and impairment of dwellings is an aggregation of the following:

2008-09		2009-10
£		£
1,959,001	Depreciation of dwellings	1,561,600
(41,570)	Deferred grants releases to revenue	(18,067)
8,118,999	Impairment of dwelling values	103,569
0	Gain on previous impairment loss	(1,361,557)
10,036,430		285,545

5. HRA share of Corporate and Democratic Costs

These are the HRA share of corporate costs and corporate management. These are shown in the Corporate and Democratic Costs line of the Income and Expenditure Account (**Page 13**) but are required by statute to be charged to the HRA.

6. HRA share of Non Distributed Costs

These are the HRA share of depreciation and impairment of non-operational assets. These are shown in the Non Distributed Costs line of the Income and Expenditure Account (**Page 13**) but are required by statute to be charged to the HRA.

7. HRA tangible fixed asset disposals

2008-09		2009-10
£		£
	Sale proceeds:	
(236,000)	Dwellings	(287,905)
0	Surplus assets	(49,401)
	Carrying value:	
163,200	Dwellings	207,001
0	Surplus assets	94,450
(72,800)	(Gains)/losses on the sale of fixed assets	(35,855)

8. Retirement benefits

As part of the terms and conditions of employment of its officers the Council offers retirement benefits. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The authority participates in the Local Government Pension Scheme administered by Cumbria County Council – this is a funded scheme, meaning that the authority and employees pay contributions into a fund, calculated at a level intended to balance the pension liabilities with investment assets.

Transactions relating to retirement benefits

The cost of retirement benefits is recognised in the Net Cost of Services when they are earned by employees, rather than when the benefits are eventually paid as pensions. However, the charge which is required to be made to the HRA is based on the cash payable in the year, so the real cost of retirement benefits is reversed out in the Statement of Movement on the HRA Balance.

The following transactions have been made in the HRA Income and Expenditure Account and Statement of Movement on the HRA Balance during the year:

		Local Government Pension Scheme	
		£	
		2008-09 Restated	2009-10
HRA Income and Expenditure Account			
Net Cost of Services:			
current service cost		188,406	124,834
Net Operating Expenditure:			
- interest cost		832,000	830,000
- expected return on assets in the scheme		(609,000)	(478,000)
<i>Included in Net Operating Expenditure</i>		223,000	352,000
Net Charge to the Income and Expenditure Account		411,406	476,834
Statement of Movement on the HRA Balance			
- reversal of net charges made for retirement benefits in accordance with FRS 17		(411,406)	(476,834)
		(411,406)	(476,834)
Actual amount charged against HRA Balance for pensions in the year:			
- employers' contributions payable to scheme		227,587	243,087
- retirement benefits payable to pensioners		21,657	21,845
Total actual pensions paid in the year		249,244	264,932

9. Extraordinary and exceptional items

There were no extraordinary or exceptional items in the HRA for the year.

10. Movement on HRA fixed assets

	Council dwellings	Other operational buildings	Equipment	Commercial and other properties	Surplus assets, held for disposal	Total
	£	£	£	£	£	£
Balance sheet value						
At 31 March 09	80,370,912	1,527,650	96,499	715,000	0	82,710,061
Reclassification of assets	(60,000)	0	0	0	60,000	0
Revaluation gain 1/4/09	3,275,866	108,357	0	36,015	0	3,420,238
Impairment loss 1/4/09	(252,642)	(97,963)	0	0	0	(350,605)
Eliminate depreciation on revaluation 1/4/09	(1,561,600)	(83,094)	0	(36,015)	0	(1,680,709)
Enhancements in year	1,791,215	0	0	0	34,451	1,825,666
Disposals in year	(207,001)	0	0	0	(94,451)	(301,452)
At 31 March 10	83,356,750	1,454,950	96,499	715,000	0	85,623,199

Depreciation						
At 31 March 09	0	0	(38,584)	0	0	(38,584)
Current year charge	(1,561,600)	(83,094)	(28,702)	(36,015)	0	(1,709,411)
Eliminate depreciation on revaluation 1/4/09	1,561,600	83,094	0	36,015	0	1,680,709
At 31 March 10	0	0	(67,286)	0	0	(67,286)
Net Book Value at 31 March 09	80,370,912	1,527,650	57,915	715,000	0	82,671,477
Net Book Value at 31 March 10	83,356,750	1,454,950	29,213	715,000	0	85,555,913
Estimated useful economic life	30 years	10-20 years	3 years	30 years	Not applicable	

Depreciation is calculated on a straight line basis and charged to the HRA.

11. HRA Capital Financing Requirement (CFR)

2008-09		2009-10
£		£
9,010,011	Opening CFR	9,010,011
	Capital investment:	
1,977,594	Council dwellings	1,791,215
400	Other operational buildings	0
25,991	Operational equipment	0
0	Surplus assets	34,451
	Sources of finance:	
(25,991)	Government grants and other contributions	(34,451)
(1,977,994)	Balances and reserves	(1,791,215)
9,010,011	Closing CFR	9,010,011

12. Dwelling stock

The Council was responsible for managing 2,717 dwellings in 2009-10. 6 properties were sold during 2009-10 and 12 one bedroom flats were demolished; 4 properties were sold in 2008-09.

	31 March 2009	Movement in year	31 March 2010
Houses			
1 bedroom	143	0	143
2 bedroom	389	0	389
3+ bedroom	926	(4)	922
Flats			
1 bedroom	962	(13)	949
2 bedroom	307	(1)	306
3+ bedroom	8	0	8
Total			
Houses	1,458	(4)	1,454
Flats	1,277	(14)	1,263
Dwelling stock	2,735	(18)	2,717

13. Vacant possession value of dwellings

Council dwellings are held in the Balance Sheet at a value that reflects the nature of occupancy in public sector housing; this is known as the Existing Use Value of Social Housing ('EUV-SH'). The EUV-SH shows the economic cost to the Government of providing Council housing at less than open market rents.

Lower public sector rent levels and the Right To Buy ('RTB') option for tenants are determining factors in establishing the social housing valuation.

The valuation in the Balance Sheet of the dwellings would be higher, if the Existing Use Value in Vacant Possession value ('EUV-VP') that reflects market conditions was used. The Existing Use Value of Social Housing at the Balance Sheet date was:

31 March 2009		31 March 2010	
£		£	
80,370,912	Balance Sheet value EUV-SH of dwellings	83,356,750	
87,068,488	Difference of dwellings EUV-SH and EUV-VP: economic cost	90,303,146	
<u>167,439,400</u>	<u>Value of dwelling stock at EUV-VP</u>	<u>173,659,896</u>	

14. Rent arrears

Provision has been made for the potential bad and doubtful debts of rent collection. The arrears at the year-end together with the aggregate Balance Sheet provision and overall percentage provisions are:

2008-09		2009-10	
£		£	
404,707	Arrears	327,326	
300,143	Provision for bad and doubtful debts	252,997	
74%	Percentage of provision	77%	

15. Major Repairs Reserve

An element of the HRA subsidy receivable is the Major Repairs Allowance (MRA). The MRA is intended to pay for major capital expenditure on Council houses. The subsidy system allows the creation of the Major Repairs Reserve (MRR) to hold the MRA until it is used for capital expenditure.

2008-09		2009-10	
£		£	
	MRR transfers in the year:		
(1,959,000)	From HRA for depreciation of dwellings	(1,561,600)	
(118,091)	From HRA for depreciation of other fixed assets	(147,812)	
7,790	Difference between MRA received and depreciation of dwellings	(641,101)	
118,091	To HRA for depreciation of other fixed assets	147,812	
<u>(1,951,210)</u>	<u>MRA subsidy receivable for the year</u>		<u>(2,202,701)</u>
	Capital expenditure financed by MRR:		
812,411	Heating and insulation	865,205	
801,645	Kitchens and bathrooms	729,019	
274,200	Rewires	196,991	
62,954	Roofs	0	
<u>1,951,210</u>	<u>Total capital expenditure</u>		<u>1,791,215</u>
0	Balance brought forward		0
<u>0</u>	<u>Balance carried forward</u>		<u>(411,486)</u>

16. HRA balance

The balance carried forward on the HRA contains an element of funds committed to ongoing housing maintenance. This occurs when the repairs and maintenance budget for the year is not fully spent; any under-spend remains as maintenance funding.

31 March 2009		31 March 2010
£		£
(845,980)	Total HRA balance carried forward	(823,062)
(72,000)	Of which: committed to ongoing housing maintenance	(26,629)

Collection Fund

2008-09 Restated £		2009-10 £	
	Income		
(26,448,363)	Income from Council Tax	(26,976,469)	
	<i>Transfers from General Fund:</i>		
(5,733,613)	- Council Tax benefits Note 1	(6,220,892)	
(19,922,338)	Income collectable from business ratepayers Note 2	(19,715,487)	
(52,104,314)	Total Income		(52,912,848)
	Expenditure		
	<i>Precepts and demands:</i>		
23,977,059	- Cumbria County Council	24,541,825	
4,273,918	- Barrow Borough Council	4,448,390	
3,869,405	- Cumbria Police Authority	4,053,196	
	<i>Business rate:</i>		
19,819,743	- Payment to national pool	19,613,699	
102,595	- Costs of collection	101,788	
	<i>Bad and doubtful debts: Note 3</i>		
(227,638)	- Write offs	(698,147)	
550,019	- Provisions	932,332	
52,365,101	Total Expenditure		52,993,083
260,787	Deficit for the year		80,235

Notes to the Collection Fund

1. Council Tax benefits

Government regulations provide for specific reductions to be made to the Council Tax payable by people that satisfy certain criteria, such as low income. These are Council Tax benefits and they are mostly subsidised by central government.

2. Income from business ratepayers

Under the arrangements for uniform business rates the Council collects business rates for its area that are based on local rateable values multiplied by a uniform rate. The total amount, less certain reliefs and other deductions, is paid to a central pool (the NNDR pool) managed by central government. The pool pays back to the Council their share of the pool based on a standard amount per head of the local adult population.

The total non-domestic rateable value at the 31 March 2010 was £48,432,285 (£48,770,384 at the 31 March 2009).

The national non-domestic rate multiplier for 2009-10 was 48.5 pence in the pound (46.2 pence in the pound for 2008-09).

A small business rate relief scheme was also introduced on the 1 April 2005 whereby, providing certain conditions are met, occupiers of properties with a rateable value of less than £15,000 pay a reduced rate of 48.1 pence in the pound (45.8 pence in the pound for 2008-09) and can also qualify for rate relief.

3. Bad and doubtful debts

Provision has been made for the potential bad and doubtful debts of the Collection Fund.

The arrears at the year-end together with the aggregate Balance Sheet provision and overall percentage provisions are:

31 March 2009		31 March 2010	
£		£	
Council Tax			
4,534,984	Arrears	4,009,603	
3,032,932	Provision for bad and doubtful debts	2,576,734	
67%	Percentage of provision	64%	
Business ratepayer			
1,370,212	Arrears	1,223,351	
1,074,151	Provision for bad and doubtful debts	938,188	
78%	Percentage of provision	77%	

These balances relate to the total Collection Fund transactions for the year. The council tax transactions are apportioned between the precepting authorities and form part of the debtor for Cumbria County Council and the Police Authority, with the Council's share contained in the relevant Balance Sheet headings.

4. Collection Fund balance

The Collection Fund balance for each year belongs to the precepting authorities and is divided against the precept for the following year. Due to the timing of setting Council Tax each year there is two year gap between establishing the balance for the year and returning the surplus or deficit.

	Deficit for 2008-09 to be distributed in 2010-11	Deficit for 2009-10 to be distributed in 2011-12
	£	£
Cumbria County Council	193,691	59,661
Police Authority	31,989	9,959
Barrow Borough Council	35,107	10,615
	260,787	80,235

5. Council Tax base

The Council Tax base is the number of properties against which the Council Tax can be collected.

All properties on the valuation list are split into eight bands, A to H, and each band is given a standard factor to convert it to a band D equivalent.

The total of the band D equivalent, net of discounts and adjustments, is then multiplied by an assumed collection rate to give the tax base for the area.

The collection rate was assumed to be 98% for 2009-10 as it was in 2008-09.

The Council Tax base for the year was set as:

2008-09 Band D equivalent number of chargeable dwellings	Band	Standard factor	2009-10 Band D equivalent number of chargeable dwellings
27	Disabled reductions		29
10,853	A	6/9	10,849
3,832	B	7/9	3,810
3,710	C	8/9	3,724
2,075	D	9/9	2,054
1,085	E	11/9	1,085
312	F	13/9	311
106	G	15/9	107
1	H	18/9	1
22,001	Equivalent chargeable dwellings		21,970
21,561	98% of which gives the Council Tax base		21,531

The total of the precepts and demands on the collection fund is divided by the tax base to arrive at the band D Council Tax, and by applying the standard factor to each band the tax figures are calculated.

2008-09 Council Tax £	Band	Property value	2009-10 Council Tax £
989.79	A	Up to £39,999	1,019.97
1,154.76	B	£40,000 to £51,999	1,189.97
1,319.72	C	£52,000 to £67,999	1,359.96
1,484.69	D	£68,000 to £87,999	1,529.96
1,814.62	E	£88,000 to £119,999	1,869.95
2,144.55	F	£120,000 to £159,999	2,209.95
2,474.48	G	£160,000 to £319,999	2,549.93
2,969.38	H	£320,000 and over	3,059.91

ANNUAL GOVERNANCE STATEMENT

Governance – How the Council ensures that the right things are done in the right way, for the right people at the right time, in an open, honest and accountable manner.

Annual Statement - The Accounts and Audit Regulations 2006, Regulation 4(2), requires the Council to carry out an annual review of its governance arrangements. The outcome of this review results in the production of the Annual Governance Statement (AGS).

Scope and responsibility

Barrow Borough Council provides a wide range of statutory and discretionary services over a wide geographical area and is responsible for ensuring that its business is conducted in accordance with legal requirements and proper standards, and that public money is safeguarded, 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 its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, Barrow Borough Council is also responsible for maintaining proper arrangements for the governance of its affairs, which facilitate the effective exercise of the Council's functions, including arrangements for the management of risk.

Barrow Borough Council has completed the Corporate Governance Compliance checklist which is consistent with the principles of the Delivering Good Governance in Local Government framework set out in the governance framework below.

The Council's statutory officers are:

The Chief Executive – Head of Paid Service;

The Borough Treasurer - Section 151 Officer under the Local Government Act 1972;

The Director of Corporate Services – Monitoring Officer.

The purpose of the governance framework

The governance framework comprises the culture and values, systems and processes used by the Council to direct and control its activities, enabling it to engage, lead and account to the community.

The framework allows the Council to monitor the achievement of its strategic objectives and to consider whether appropriate, cost effective services have been delivered.

A significant part of the framework is the Council's system of internal control which is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at Barrow Borough Council for the year ended 31 March 2010, and up to the date of approval of the accounts.

The governance framework

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE) identified six principles of corporate governance that underpin the effective governance of all local authorities. Barrow Borough Council has used these principles when assessing the adequacy of its governance arrangements. The main elements that contribute to these arrangements are listed below each core principle:

Core Principle 1: focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area

- Love Barrow, initiated by the Regeneration Publicity Team, which represents business, tourism, the Urban Regeneration Company (Barrow Renaissance), further and higher education and other regeneration organizations in the Borough has effectively harnessed the Council's and wider communities' development objectives with a wiser sense of ownership
- The Council's policies, aims and objectives are well established and monitored at various levels, for example Corporate Business plan, annual budget process and personal performance appraisals
- Regular consultation is undertaken on a range of issues
- The Local Strategic Partnership provides a partnership review forum
- Consultation informs our Sustainable Community Strategy which is available to the public
- The Sustainable Community Strategy and Annual Report articulate the Council's activities and achievements
- The Medium Term Financial plan underpins corporate aims

- The Council's budget shows financial plans at a detailed level for the financial year
 - Effective Budget Monitoring takes place regularly
 - Cashable savings continue to exceed targets
 - Performance management and reporting is embedded, including quarterly reporting to the Management Board and the Executive Committee and review by the Overview and Scrutiny Committees
 - Scrutiny reviews have delivered tangible outcomes
- **Core Principle 2: members and officers working together to achieve a common purpose with clearly defined functions and roles**
- Established framework of forums providing Members and Officers with diverse opportunities for effective and efficient integrated working
 - Members attend meetings for several strategic working groups within the Council
 - Official Member spokespersons for strategic objectives
 - The Council's Constitution clearly states the roles and responsibilities of members and senior officers
 - Terms of reference for Committees and the Council are clearly defined in the Constitution
 - Clear delegations and accountabilities are laid down in the Constitution
 - Joint Board meetings with Members and Management Team
 - Executive Committee pre-agenda meetings with Members and Management Team
 - Management Team and heads of service attend monthly Management Board
 - Officers are appointed with clear job descriptions
 - Adoption of statutory and professional standards
 - Compliance with Financial Regulations and Contract Procedure Rules that are reviewed and approved by the Council
 - Financial administration procedures are agreed by the Borough Treasurer
 - Appropriate segregation of duties and management supervision

Core Principle 3: promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour

- The Council's vision and aims statement exemplifies its priorities and values
- A Member / Officer protocol is set out within the Constitution
- There are codes of conduct in place for Members and Officers
- There is an established and effective Standards Committee
- Anti-fraud and corruption policy
- The Council has adopted the Payment Card Industry Data Security Standard with a statement of procedure to ensure that valuable cardholder account data is always secure

- The Council participates in the Audit Commissions National Fraud Initiative, an exercise that matches electronic data within and between audited bodies to prevent and detect fraud; including police authorities, local probation boards and fire and rescue authorities as well as local councils
- A whistle blowing policy is in place and available on the Council's web site
- Member and officer registers of declared interests, and hospitality and gift register

Core Principle 4: taking informed and transparent decisions which are subject to effective scrutiny and management of risk

- There are established and effective Overview and Scrutiny Committees, for corporate services and for regeneration
- There is an established and effective Audit Committee
- There are authorising and reviewing officers appointed under the Regulation of Investigatory Officers Act 2000 (RIPA)
- Decisions taken are formally minuted
- The Corporate Business plan is rolled forward and reviewed
- Active risk management, including
 - risk identification, registers and actions plans
 - Risk Management group
 - official Member spokesperson for risk management
 - guidance and training on risk management for members and staff
 - involvement of members in monitoring corporate risks
 - consideration of risk implications in committee reports and the decision making process.
- Active health and safety arrangements, including a robust policy, official Member spokesperson, consideration of issues at the quarterly Health and Safety Management Board; the membership includes Management Team, Members and other relevant officers.
- Continuous managerial review of services to ensure continuous improvement and the economic, effective and efficient use of resources
- Devolved financial management arrangements, where managers are responsible for managing their services within available resources and in accordance with agreed policies and procedures. Elements include:-
 - financial awareness training and working closely with service accountants in all aspects of financial management and administration
 - monthly review by officers and the appropriate service manager of budgetary control information, comparing expected and actual performance
 - formal quarterly budget monitoring reports to the Executive Committee
- Active performance management arrangements
- A robust complaints / compliments procedure is in place and is widely publicised
- Freedom of Information requests are dealt with in accordance with established protocols

- All committee reports and policy decisions include cross references to the Council's strategic objectives and key priorities supported by the recommendations
- All committee reports and policy decisions consider the potential financial, risk management, legal, health and safety as well as equality and diversity impact on all service users

Core Principle 5: developing the capacity and capability of members and officers to be effective

- An induction programme is in place for Officers and Members
- A Member training and development programme is in operation
- Deputy section 151 and Deputy Monitoring Officers are in place
- Officer's training requirements are considered at each personal performance appraisal
- Supervisor training is available
- European Computer Driving Licence training is available
- Members attend leadership residential training course run by the IDeA.

Core Principle 6: engaging with local people and other stakeholders to ensure robust public accountability

- The Sustainable Community Strategy is positively used
- There is regular community engagement and participation both in general and for specific community groups and services provided, including Parish Councils
- The Council has a Consultation Policy to make sure that community consultation is effective, efficient and consistent
- Community Voice is the name for the Citizens' Panel for Cumbria; Citizen's Panels are made up of a representative sample of local residents who have agreed to take part in research over a given period of time
- Consultation for specific services, through bodies such as the Housing Forum, tenants and residents associations, landlord forum and trade unions are consulted on issues which affect Council staff
- Talking Point, Barrow Borough Council's online service to help the people of Barrow Borough contact us about local issues is now established
- Committee and Council meetings are open to the public, with papers available on the internet
- Clear and colourful publications, including Annual Report, residents' magazine, tenants newsletter, A-Z of Council Services
- The Council engages with diverse communities within the Council's area through groups such as the Citizens Advice Bureau, Furness Multicultural Forum, Barrow and District Disability Association, Age Concern and the Blind Society
- The Council continues to engage with hard to reach groups through the following the Cumbrian forums:
 - AWAZ (Cumbria), promotes the active participation of minority ethnic people and groups
 - Cumbria Disability Network

- OutREACH Cumbria, a new strategic partner working on equality issues with the LGBT Community.
- The Council uses a computerised Customer Relationship Management system that includes a calls handling system and queuing and appointment systems
- Govmetrics is used online and at the main Council offices, this is a quick and easy way to collect customer satisfaction using expressions: 😊 😐 😞 to find out how customers rate information and services

Review of effectiveness

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control. This responsibility is in practice carried out by Management Team and managers, with the Chief Executive informing the Executive Committee of any significant matters warranting their attention.

The Council's Overview and Scrutiny Committees exercise a general non-executive review role which in 2009-10 included specific work on:

- Corporate services: equalities performance, health and safety, and reviewing the Council's void commercial properties
- Regeneration and Community services: allotment management, off-street car parking, rent collection, and waste collection and recycling; this committee also receives Performance Information

The review of effectiveness of the system of internal control is informed by three main sources: the work of internal audit; by managers who have responsibility for the development and maintenance of the internal control environment and also by comments made by external auditors and other review agencies / inspectorates.

Internal audit

Barrow's responsibility for maintaining an effective Internal Audit function is set out in Regulation 6 of the Accounts and Audit Regulations 2003, as amended. This responsibility is delegated to the Borough Treasurer. The Internal Audit function has no operational responsibilities; this ensures that its duties are performed impartially.

Internal Audit operates in accordance with best practice professional standards and guidelines. It independently and objectively reviews, on a continuous basis, the extent to which the internal control environment supports and promotes the achievement of the Council's objectives, and contributes to the proper, economic, efficient and effective use of resources. All audit reports go to the Audit Committee who review any recommendations and monitor their implementation. Members receive a quarterly and an annual report of internal audit activity and approve the annual risk-based audit plan for the forthcoming year.

Internal Audit's assessment of auditable areas has identified 73

potential systems which cover the Council's operations. Within the 2009-10 annual audit work schedule planned coverage amounted to 37% of systems which related to 80% of the total risk. Against this target Internal Audit achieved 32% of systems coverage which amounted to 77% of the total risk; additionally a number of unplanned audit activities were undertaken.

The majority of Council systems have achieved the level of substantial assurance. 10 systems have been classified as restricted assurance, two of which are awaiting management responses and are therefore not currently issued as final reports.

30 final reports have been issued with 21 reports achieving substantial assurance, 8 with restricted assurance and 1 unqualified assurance. This achievement demonstrates the Council's commitment to operating within a control environment that should minimise the risk of loss to the Authority.

Last year's Internal Audit report identified areas of weakness in relation to contracts let in previous financial years. These have been helpful in shaping the amendments to the Council's Contract Standing Orders. Assurance may be taken that these weaknesses are being addressed.

The outcomes of Internal Audit reviews are reported to the Audit Committee on a quarterly basis, giving Members an opportunity to understand the Council's compliance with key controls and to discuss any areas of concern with the Auditors

Managers

Individual managers are responsible for establishing and maintaining an adequate system of internal control within their own sections and for contributing to the control environment on a corporate basis. There are a number of significant internal control areas which are subject to review by internal audit. All managers acknowledge their responsibilities and confirm annually that they have implemented and continuously monitored various significant controls. This is done on a checklist covering: management structures and reporting lines, strategy and planning, risk management, ethics, service delivery, performance management, policies and procedures, and financial controls. This checklist is reviewed by the Management Team.

External auditors and other review agencies / inspectorates

External auditors are appointed to the Council by the Audit Commission. They are required to conduct their audit work to the strictest standards as laid down by the Audit code of Practice, which ensures that they approach the work with the highest level of objectivity. The external auditors undertake a series of thorough and comprehensive audits that cover matters including financial reporting, financial stewardship and the Council's approach to its use of resources.

Each year the Council receives a report from its external auditor on the quality of its financial and management administrative arrangements. The most recent audit letter, which was presented for Members' consideration at the Audit Committee meeting on the 16 December 2009, indicated that the

Council's has arrangements in place for securing continuous improvement in corporate governance with no significant weaknesses identified that would prevent improvement levels being sustained.

In December 2009 the Council was advised that in findings from the Audit Commission's assessment of how Barrow-in-Furness Borough Council was managing and using its resources to deliver value for money and better and sustainable outcomes for local people it had achieved an overall Level 2 which means that the Council is judged to be performing adequately.

It was also noted that the Council's theme score for financial reporting was Level 3 which meant that the Council was exceeding minimum requirements and performing well. In terms of internal controls issues within the report, there were two areas where the auditors identified areas for improvement; these related to strengthening the arrangements for ensuring appropriate use of resources and ensuring that business planning could be measured against priorities.

During 2008 the benefits service, outsourced to Liberata UK Limited in 1998, was inspected by the Audit Commission with an assessment that the service was poor with poor prospects for improvement. The Council has expanded its service improvement plan for benefits to incorporate the actions identified by the inspection. A recent audit in June 2010 noted improvements in the revenues and benefits service. It also acknowledged improved standards due to better contract management. Further areas for improvement were mentioned. The Barrow/ Liberata Improvement Board continues to work through the recommendations to further enhance the service.

A cross cutting review of health inequalities which was completed during 2007-08 involving local government and health organisations was still relevant in 2009-2010. The report concluded that organisations in Cumbria have a strong commitment to tackling health inequalities and an increasing focus on collaborative action. The Council through its key priorities and annual objectives continues to provide recreational facilities for young people; and provide concessions at its leisure facilities for the young, elderly and disabled members of the community.

Other external reviews during the year included:

- ISO9001 accreditation for the building control services
- Investors in People accreditation
- Health and Safety Executive engagement programme
- North West Employers award for elected members development

Significant governance and internal control issues

The review of the governance arrangements has not identified any significant weaknesses. We believe that the existing governance arrangements are fit for purpose and are adequate to discharge the Council's legal responsibilities and to meet the Council's corporate aims.

Annual Governance Statement 2009-2010

The following governance issues were identified during 2009-10 as a result of the review of arrangements and by the work of external and internal audit:

- Continue to develop a benefit service that is shaped round customers with improved customer engagement and consultation
- Develop a Revenues and Benefits Service Plan for the Council with a focus on long term aims and objectives
- Improve the Council's adherence to its duty to promote equality by attaining the "Achieving level" of the local government equality framework by March 2011.

The issues identified above will be dealt with by the responsible officers and progress will be monitored by the Management Board and the Audit Committee when appropriate.

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation an operation as part of our next annual review.

T O Campbell
Chief Executive
21 June 2010.

Councillor K. Williams
Deputy Leader
21 June 2010

AUDIT COMMITTEE		Part One (D) Agenda Item 9
Date of Meeting: 29th September		
Reporting Officer: Borough Treasurer		
<p>Title: Letter of Representation 2009-2010</p> <p>Summary and Conclusions:</p> <p>As part of the annual process of finalising the Accounts, there is a requirement to provide assurance to the Audit Commission on relevant and significant matters relating to the financial year. A letter of representation is issued to disclose material facts affecting the 2009-2010 transactions of the Council.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Approve the letter of representation for 2009-2010; and 2. Authorise the chairman of the Committee and the Borough Treasurer to sign the letter on behalf of the Council. 		

Report

The letter of representation is reproduced below:

Barrow-in-Furness Borough Council – Audit for the year ended 31st March, 2010

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other Directors and Officers of Barrow-in-Furness Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for the year ended 31 March 2010.

Compliance with the statutory authorities

I acknowledge my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice which gives a true and fair view of the financial position and financial performance of the Council and for making accurate representations to you.

Uncorrected misstatements

I confirm that I believe that the effects of the uncorrected financial statements misstatements listed below are not material to the financial statements, either individually or in aggregate. These misstatements have been discussed with those charged with governance within the Council and the reasons for not correcting these items are as follows;

Description of error	Reason for not amending
The NNDR debtor is overstated by £56,000.	There is no impact on the Council's net worth as the item will be adjusted against the National Pool in 2010-2011.
The housing benefit debtors are understated by £270,000.	The uncertainty and continuous changes to this item would make the inclusion of this debtor in the accounts and therefore increase the General Fund Balance as imprudent action. These debtors would be subject to a bad debt assessment and a provision made as their collection is not certain therefore resulting in a neutral position.

Supporting records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken by the Council have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all Council and Committee meetings, have been made available to you.

Going Concern

I am satisfied that it is appropriate to adopt the going concern basis in the preparation of the financial statements and that the financial statements include, such disclosures, if any, relating to going concern.

Irregularities

I acknowledge my responsibility for the design and implementation of internal control systems to prevent and detect fraud or error.

There have been no:

- irregularities involving management or employees who have significant roles in the system of internal accounting control;
- irregularities involving other employees that could have a material effect on the financial statements; or

- communications from regulatory agencies concerning non-compliance with, or deficiencies on, financial reporting practices which could have a material effect on the financial statements.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements; and
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.

Law, regulations, contractual arrangements and codes of practice

There are no instances of non-compliance with laws, regulations and codes of practice, likely to have a significant effect on the finances or operations of the Council. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Fair Values

I confirm the reasonableness of the significant assumptions within the financial statements. For the valuation of fixed assets and financial instruments, I confirm:

- the appropriateness of the measurement method;
- the basis used by management to overcome the presumption under the financial reporting framework;
- the completeness and appropriateness under the financial reporting framework; and
- that subsequent events do not require adjustment to the fair value measurement.

Assets

The following have been properly recorded and, where appropriate, adequately disclosed in the financial statements:

- losses arising from sale & purchase commitments;
- agreements & options to buy back assets previously sold; and
- assets pledged as collateral.

Compensating arrangements

There are no formal or informal compensating balancing arrangements with any of our cash and investment accounts.

Contingent liabilities

There are no other contingent liabilities, other than those that have been properly recorded and disclosed in the financial statements. In particular:

- there is no significant pending or threatened litigation, other than those already disclosed in the financial statements; and
- there are no material commitments or contractual issues, other than those already disclosed in the financial statements; and
- no financial guarantees have been given to third parties.

Related party transactions

I confirm the completeness of the information disclosed regarding the identification of related parties. The identity of, and balances and transactions with, related parties have been properly recorded and where appropriate, adequately disclosed in the financial statements.

Post balance sheet events

Since the date of approval of the financial statements by the Council, no additional significant post balance sheet events that have occurred which would require additional adjustment or disclosure in the financial statements. The Council has no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

IFRIC12 Service Concession Arrangements

I confirm that the Council has assessed all contracts to identify whether any contractual arrangements reflect a service concession arrangement within the scope of IFRIC12.

Signed on behalf of Barrow-in-Furness Borough Council, I confirm that this letter has been discussed and agreed by the Audit Committee on 29th September, 2010.

Signed:

Name:	O N Flitcroft	Mohamad Saleh
Position:	Audit Committee Chairman	Borough Treasurer
Date:	29th September, 2010	29th September, 2010

(i) Legal Implications

It is a statutory requirement to have the accounts certified and published by 30th September, 2010.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

AUDIT COMMITTEE	(D) Agenda Item 10
Date of Meeting: 29th September, 2010	
Reporting Officer: Borough Treasurer	
Title: Internal Audit – Progress Report April to September 2010	
Summary and Conclusions:	
The Committee will receive regular progress reports on the programme of work carried out by the Internal Audit Service. The attached report relates to the period April to September 2010.	
The Council's Internal Audit Manager will attend the meeting to present the report to members.	
Recommendations:	
Members are recommended to:	
1. Receive and consider the report; and	
2. Raise any questions or concerns with the Internal Audit Manager.	

Report

The Internal Audit progress report is attached at **Appendix 3**.

(i) **Legal Implications**

Statutory requirements under section 151 and the Accounts and Audit Regulations 2006.

(ii) **Financial Implications**

Not Applicable.

(iii) **Health and Safety Implications**

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

FURNESS AUDIT

BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to September

2010/11

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EXECUTIVE SUMMARY

Purpose

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

- Internal Audit work performed up to 17th September 2010, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1st April and 17th September 2010. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

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

3. *Rejected Recommendations*

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

4. *Audit Coverage*

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

5. *Classifications of Assurance and Recommendations*

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

1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we made in our final reports issued up to 17th September 2010; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	19	0	8	11
Fully Accepted	19	0	8	11
Partly Accepted	0	0	0	0
Not Accepted	0	0	0	0

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

There have been no priority one recommendations made during the reporting period.

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

There have been no rejected priority one recommendations during the reporting period.

3.2 PRIORITY TWO RECOMMENDATIONS

There have been no rejected priority two recommendations during the reporting period.

4. INTERNAL AUDIT COVERAGE: APR-SEPT 2010

Audit Assignment	System Significance Band	Status	Assurance
ANNUAL AUDITS			
Income Collection	1	Commenced	
Housing and Council Tax Benefits	1		
Council Tax	1		
Performance Management	1		
Business Rates (NNDR)	1		
Risk Management	1		
Financial Information System	1		
Budgetary Control	2		
Treasury Management	2		
Car Park Meter Income	2	Final	Substantial
Payroll	2		
Accounts Receivable	2		
Corporate Control/Governance	2		
Periodic Checks	2	Ongoing	-
Procurement (inc. Ordering)	2	Planning	
Accounts Payable	2		
Housing Rents	2		
Standing Orders and Financial Regulations	2	Initial Findings Memo	-
Housing Maintenance (Day to day repairs)	2		
RISK ASSESSED SYSTEMS			
Licensing	3	Final	Substantial
Housing Strategy	3		
Catering Contract	3	Draft	Restricted

Audit Assignment	System Significance Band	Status	Assurance
Waste Management (Probity Review)	4	Initial Findings	
Refuse & Recycling Collection	4	Ongoing	-
Non Routine Public Buildings Maintenance	4	Final	Substantial
DESIGNATED ANNUAL AUDIT ACTIVITY			
Receipt Book Checks	-	Ongoing	-
Petty Cash/Floats Spot Checks	-	Complete	-
Annual Accounts Working Paper Review	-	Complete	-
<i>Other Projects</i>			
Probity – Better Regulation Project (CIEP/NWIEP)	-	Complete	-
New Burdens Grant Determination	-	Complete	-
<i>Community Organisations (inc. Mayor's Account)</i>			
Hawcoat	-	Complete	-
Abbotsvale	-	Complete	-
Dalton Community Association	-	Complete	-
Roosegate	-	Complete	-
Barrow Playing Fields Users Association	-	Complete	-
Mayors Account	-	Complete	-
<i>Funding Checks/Grant Claims</i>			
Ramsden Business Park Final Grant Claim	-	Complete	-
Marina Village Land Acquisition Final Grant Claim	-	Complete	-
Inspiring Communities Final Grant Claim	-	Complete	-

Audit Assignment	System Significance Band	Status	Assurance
Fraud Hotline	-	Ongoing	-
NFI Responsibilities	-	Ongoing	-
IT ENVIRONMENT AUDITS	1	Planning	-
CONTRACT AUDIT	1		
Construction of Link Road Phase 2 Cornmill Crossing	-	Awaiting Information	-
Construction of Link Road Phase 2 – Enabling Work Bradys Warehouse	-	Awaiting Information	-
Barrow Town Centre Public Realm Scheme Phase 2	-	Ongoing	-
AUDIT MANAGEMENT			
<i>Implementation Review</i>			
Data Protection (Client Aware System)	-	Complete	-
Implementation of the Data Protection Act	-	Complete	-
Void Management	-	Complete	-
Development Control	-	Complete	-
Insurance	-	Complete	-
Park Leisure Centre	-	Complete	-
Streetcare	-	Complete	-
Grounds Maintenance	-	Complete	-
Probity	-	Ongoing	-
ADDITIONAL CONTRACTED WORK			
Benefit Certification including additional testing	-	Ongoing	-

Audit Assignment	System Significance Band	Status	Assurance
CONTINGENCY <i>(Previous year draft and final reports issued during period)</i>			
Housing and Council Tax Benefits	1	Final	Substantial
Financial Information System	1	Final	Substantial

5. CLASSIFICATIONS

5.1 Classification of Assurance Levels

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

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

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 (Amendment) (England) Regulations 2006, and the 2007 CIPFA/SOLACE Framework and Guidance notes.

5.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

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

APPENDIX 1 – DRAFT REPORTS ISSUED

Ref	Audit	Date issued
IT 40	IT Asset Management	30 June 2009
10-24	Catering Contract Sodexo Forum 28	17 Aug 2010
CR 52	Refurbishment Ground Floor Male and Female Toilets	15 April 2010
CR 53	Holker Street Car Park	27 May 2010
CR 55	Alterations to the Park Leisure Centre	09 June 2010

Appendix 2 – Restricted Assurance Audits

		Recommendations			Previous Recommendations			Total	Date Issued
Ref	Audit	P1	P2	P3	P1	P2	P3		
CR 51	Hindpool Urban Park	0	9	1	N/a			10	14 May 2009
CR 49	Painting and Pre-painting repairs 2007/08	3	3	0	N/a			6	22 April 2009
CR 47	Barrow Public Park Heritage restoration project	3	2	0	N/a			5	14 May 2009
IT 40	IT Asset Management (<i>awaiting management response</i>)	0	11	2	N/a			13	30 June 2009
CR50	Alterations & Refurbishment of 77-79 Duke Street	0	8	1	N/a			9	11 January 2010
08-05	Barrow Park	0	8	5	N/a			13	29 June 2009
09-24	Asset Management	0	10	0	0	6	1	17	26 February 2010
09-02	Risk Management	0	6	5	0	0	0	11	16 November 2009
IT 42	IT General Controls	1	29	6	0	0	0	36	4 December 2009
09-34	Sodexo Accounts Dock Museum Café	2	8	1	N/a			11	26 February 2010

		Recommendations			Previous Recommendations			Total	Date Issued
Ref	Audit	P1	P2	P3	P1	P2	P3		
09-39	Contract Probity	2	3	0	N/a			5	28 April 2010
10-24	Sodexo Catering Contract Forum 28 (<i>awaiting management response</i>)	2	6	1	N/a			9	17 August 2010

AUDIT COMMITTEE	(D) Agenda Item 11
Date of Meeting: 29th September, 2010	
Reporting Officer: Borough Treasurer	
<p>Title: Internal Audit – Final Reports</p> <p>Summary and Conclusions:</p> <p>Internal Audit have completed a number audits in accordance with the approved annual programme. On completion, final reports are presented to this Committee for consideration.</p> <p>The Council's Internal Audit Manager will attend the meeting to present the reports to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive and consider the reports; and 2. Raise any questions or concerns with the Internal Audit Manager. 	

Report

There are 5 final reports for consideration, attached to this report at **Appendices 4-8**. The following table sets out the assurance level assigned to each report and the number of issues identified.

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.

No.	Report	Assurance level	Major issues	Important issues	Minor issues	Previous issues
1	Car Parking Meter Income	Substantial	-	-	1	-
2	Licensing	Substantial	-	3	5	-
3	Non-Routine Public Buildings Maintenance	Substantial	-	3	3	-
4	Financial Information System	Substantial	-	-	-	2
5	Housing and Council Tax Benefits	Substantial	-	2	2	2

(i) Legal Implications

Statutory requirements under Section 151 and the Accounts and Audit Regulations 2006.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 10-13
CAR PARK METER INCOME

Executive Summary

Introduction

The Council's Parking Services Department are responsible for the collection of income from car park pay and display machines within the Borough. There are currently 24 pay and display machines, from which total income received during 2009/10 was in excess of £792,000.

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 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
One minor issue.

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 made one Priority 3 recommendation, which concerns recording all variances identified between ticket machine audit tickets and cash collected on the 'Car Park Ticket Machine Income' sheets.

Internal Audit also reviewed the two outstanding recommendations from audit report 08-25, dated July 2008, both have been satisfactorily implemented.

Management Response

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

Acknowledgement

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

Recommendation 1	Responsibility: Parking Services Manager	Priority: 3
<p>The Council should ensure that all variances identified between ticket machine audit tickets and cash collected are recorded on the 'Car Park Ticket Machine Income' sheets; and are therefore subject to review by the Parking Services Manager.</p>		
<p>Rationale</p>		
<p>When the income from each car park ticket machine is emptied, an audit ticket is automatically produced stating the value of cash within the machine. The sealed cash boxes are returned to the Town Hall and the contents are counted and recorded on the 'Car Park Ticket Machine Income' sheet. The current procedure requires discrepancies between the ticket value and the cash collected to be recorded on the sheet, and any variances greater than £5 investigated by the Parking Services Manager.</p> <p>For a sample of 20 days in 2009/10, Internal Audit identified where a variance over £5 had occurred; this had been investigated by the Parking Manager. However, a further six discrepancies under £5 had not been recorded on the 'Car Park Ticket Machine Income' sheets. Consistently recording all discrepancies ensures that each variance is brought to the attention of the Parking Services Manager upon review of the 'Car Park Ticket Machine Income' sheet; therefore any required action may be taken.</p>		
<p>Management Response</p>		
<p>I agree with the findings and now check every entry on the cash sheet to make sure discrepancies, no matter how small, are not missed.</p>		
Accepted	Implementation Deadline:	Implemented

APPENDIX 1

AUDIT FRAMEWORK

Coverage

The review covered the following areas which were agreed as part of the preliminary planning stage:

- collection of income;
- banking & reconciliation of income;
- monitoring of car park income;
- car parking charges; and
- procedures.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

In addition, Internal Audit reviewed management's progress in implementing the agreed recommendations from our previous audit report.

Performance

Auditors: Sarah Mach and Gill Jones

The fieldwork was performed: May-June 2010

All final Internal Audit reports from April 2007 will be presented to the Council's Audit Committee.

APPENDIX 2**CLASSIFICATIONS****Assurance Level**

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 10-22
LICENSING

Executive Summary

Introduction

Barrow Borough Council is the licensing authority for the district, having responsibility under the Licensing Act 2003 for licensing all premises that sell alcohol, provide entertainment or provide late night refreshment and for licensing persons who sell or supply alcohol. The Council has established a Licensing Committee to carry out this role and has approved a licensing policy laying out the basis on which decisions under the Act are made.

Administration of licensing activities is carried out by the Commercial Services Team within the Council's Environmental Health Department; the main functions are:

- consideration and approval of initial applications for premises licences and raising annual fees;
- approval of personal licences;
- approval to one-off events by the issue of temporary events notices; and
- collection of the associated fees.

Records are maintained on a dedicated computer system, Lalpac, supported by manual files. There are around 384 premises and 604 personal licences; total income for 2009/10 was in the order of £67,000.

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 Licensing function. The scope and objectives of the audit were discussed and agreed in advance with Phil Newton, Commercial Services Team Leader and Sandra O'Neill, Administrative Liaison Officer.

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 made three Priority 2 recommendations concerning:

- considering the benefits of using the Lalpac system to maintain comprehensive records of licensing information;

Key Points
Substantial Assurance
Three important issues
Five minor issues

- reviewing the rateable value information currently held on the Lalpac system to ensure that it is consistent with the 2010 Non-Domestic Rating Valuation List; and
- allocating accurate accounting codes to licence fee income received by the CRM Department.

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

- date stamping all application forms for licensed activities and reviewing the current practice for receipting licence fees;
- completing a file control sheet for all “full” premises licence applications;
- retaining evidence of key stages in the licence application and approval process;
- improving the filing and storage of hard copy information on applications for temporary event notices; and
- issuing licenses promptly after the end of consultation and/or approval.

Management Response

We have received a constructive management response from Phil Newton, Commercial Services Team Leader, accepting the recommendations.

Acknowledgement

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

Recommendation 1	Responsibility: Commercial Services Team Leader	Priority: 2	
<p>The Council should consider the benefits of using the Lalpac computer system to maintain comprehensive records of licensing data and information.</p>			
<p>Rationale</p>			
<p>Throughout the review, Internal Audit observed that the hard copy information held on licensing files was inconsistent and incomplete; as a result, in several cases key documents were missing from files.</p> <p>The Council maintains and relies on dual records: partially paper based and partially computer based on the Lalpac system. Lalpac has the ability to store and manage electronic copies of documentation, including scanned versions of printed forms. Although some documentary information is held on Lalpac, the system does not appear to be used to its full potential.</p> <p>Internal Audit's experience of document imaging systems suggests that they are efficient and effective in managing processes; consideration of an extension of the use of Lalpac would allow the potential benefits to be assessed.</p>			
<p>Management Response</p>			
<p>As from 1st October it is intended that all documentation relating to Licensing Act applications (personal/premises) will be scanned in to Lalpac.</p>			
Accepted	Implementation Deadline:		1 October 2010

Recommendation 2	Responsibility: Commercial Services Team Leader	Priority: 2
<p>The Council should:</p> <ul style="list-style-type: none"> a) review the rateable value information currently held on the Lalpac system to ensure that it is consistent with the 2010 Non-Domestic Rating Valuation List; b) introduce a sound mechanism to ensure that changes to rateable values are introduced to Lalpac as they occur; and c) check and correct, where necessary, the licence fees previously charged for the premises identified in this review. 		
<p>Rationale</p>		
<p>Internal Audit reviewed a sample of ten premises licence application fees and ten annual premises licence fees raised since April 2009 to check their accuracy. The fee due is based on the property's rateable value (RV) within a banded fee structure. Annual fees are calculated by the Lalpac system from standing data on each licence. The fees charged for the sample were checked by reference to the 2005 Valuation List.</p> <p>For one application, PL0129, an initial fee of £190 had been charged. The RV of this property was £44,250 from 2005 until 2009, which would suggest that a fee of £315 should be due.</p> <p>For one annual fee, PL0135, the RV was recorded on Lalpac as £5,700 and the fee calculated as £180. The Valuation List showed that the RV of the shop had been reduced to £4,250 on 30 August 2007, placing the property in a lower fee band. The correct annual fee would be £70, suggesting that the business had been overcharged £110.</p> <p>A new Valuation List was introduced on 1 April 2010. In view of the discrepancies observed in the sample, Internal Audit decided to check a selection of rateable values held on the Lalpac system to the 2010 and 2005 Lists. In order to carry out this test, a report of the current RVs held on the system was obtained, from which the following observations were made.</p> <p>The report showed that thirteen licences had no RV recorded against the property. Of these, five are schools, which are not liable to pay a fee, leaving eight properties where an RV would be expected.</p> <p>Internal Audit then selected and checked a sample of sixteen licences from the report, selecting properties which fell close to the RV band boundaries used to calculate fees:</p> <ul style="list-style-type: none"> i) For fourteen of the sixteen licences, the RV currently held on Lalpac did not reflect the 2010 Valuation List entry for the property. Of these discrepancies, for two licences the Lalpac value and the 2010 List figure were within the same charging band and so had no financial effect. For the remaining twelve licences, an incorrect fee would be charged if the RV was not amended before the next billing occasion. 		

ii) In several cases, the RV held on Lalpac was similar to the 2005 List value. Seven of the sixteen sampled licences showed that the current RV matched the 2005 List figure, suggesting that the latest billing would have been correct, assuming that RV had been applied. In a further six cases, the RV on Lalpac was not the last 2005 List value, but would not have affected the amount charged as the two figures were within the same banding. For the remaining three cases, the RV held on Lalpac differed from the 2005 List value applying in 2009; if the current values held were used for calculating the 2009 fees, this would have produced two undercharges and one overcharge (Internal Audit did not examine previous bills to check this point).

Unless the rateable values of properties held on the Lalpac system are accurate and updated with relevant changes, there is a risk that future fees will be charged incorrectly. It is also suggested that the historic fees raised should be examined to ensure that they were applied correctly, as a minimum to include the anomalies highlighted in this review.

Management Response

- 1) All business rateable values have been reviewed against the 2010 Non Domestic Rating Valuation List. Any variations have been noted.
- 2) Propose to review every 5 years when new NDRV list produced. Also to monitor applications for variation to premises licences involving extensive alterations which may result in NDRV increase. Also to monitor premises without a NDRV at time of application and amend accordingly when NDRV available.
- 3) Any new NDRVs have been inputted in to Lalpac – this information is used to generate the annual fee. A sample of premises where NDRVs have changed will be checked to make sure that the calculation process works. Annual fee letters will be going out in early September.

Accepted

Implementation Deadline:

1 September 2010

Recommendation 3	Responsibility: Commercial Services Team Leader and CRM Manager	Priority: 2	
<p>The Council should ensure that licence fee income received by the CRM Department is coded accurately within its General Ledger.</p>			
<p>Rationale</p>			
<p>Internal Audit checked a sample of income receipts for licence fees to ensure that the amounts could be verified satisfactorily to the correct codes in the Oracle general ledger system.</p> <p>The full samples of nine premises licence application fees and ten annual fees had been coded correctly, however, seven out of ten personal licence fees and two out of five temporary event notice fees had been credited to incorrect income codes. It was not possible from pay-in sheets to determine whether a further TEN fee had been coded correctly. These receipts all originated from the CRM Department.</p> <p>Short codes are used by CRM to identify licence income:</p> <p>LPER Personal LPRM Premises and Temporary Events LTAX Taxis.</p> <p>These are converted to general ledger codes when input to Oracle. For the miscoded amounts, the seven personal licence receipts had been coded to LPRM or LTAX, the two TEN receipts to LTAX and the final TEN receipt to either LTAX or (correctly) to LPRM.</p> <p>Incorrect coding of income distorts the Council's financial accounts and results in unreliable management information.</p>			
<p>Management Response</p>			
<p>Liberata / CRM have been regiven a list of codes and reminded of need to accurately code incoming cheques etc. Environmental Health staff have also been reminded of codings.</p>			
Accepted	Implementation Deadline:		Immediate

Recommendation 4	Responsibility: a) Commercial Services Team Leader b) Borough Treasurer	Priority: 3
<p>The Council should:</p> <p>a) ensure that all application forms for licensed activities are date stamped on receipt; and</p> <p>b) review the current practice for receipting licence fees to reduce potential delays in processing applications.</p>		
<p>Rationale</p>		
<p>Internal Audit examined samples of application forms for premises and personal licences and temporary events. The majority had not been date stamped to confirm their receipt by the Council, including three temporary event notices where notice must be given no later than ten working days before the day of the event.</p> <p>Additionally, for four personal licence applications (PA0512, PA0535, PA544 and PA0593), the date recorded on the Lalpac system was significantly later than that of the form. While a few days might be expected to elapse between completion of the form and its receipt by the Council, the interval for these four cases varied between 7 and 22 days. As the forms had not been stamped on receipt, it is not possible to confirm whether delays occurred or whether the Lalpac dates are incorrect.</p> <p>Internal Audit were informed that delays can be caused by the Council's practice of forwarding licence application forms to the Borough Treasurer's Department to assist in coding the fee income correctly before the forms are sent to the Environmental Health Department. This appears to be an unnecessary step which could be omitted if the forms were separated from the payment and sent directly to Environmental Health, with a separate, cross-referenced document accompanying the fee payment to the Borough Treasurer's Department.</p> <p>As several aspects of the licensing function are time dependent, without an accurate record of an application/notice being received, the Council would be unable to confirm timescales had been met or counter a potential challenge.</p>		
<p>Management Response</p>		
<p>1) We accept that some forms may have been missed date stamping and think some of these may have resulted from an accompanying letter attached to the front being stamped and not the form itself. Also TENs require 2 forms to be submitted, both are signed and one returned. It is possible that the one with the date stamp on has been returned to the applicant.</p> <p>Staff have been reminded of need to stamp forms.</p>		

2) We have spoken to Treasurers and Support Services. It has been agreed that from now on any applications with accompanying payments will be forwarded directly to us and Treasurers sent the cheque with a slip indicating details to record the income.

Accepted

Implementation Deadline: Immediate

Recommendation 5	Responsibility: Commercial Services Team Leader	Priority: 3
<p>The Council should ensure that a file control sheet is completed and retained for every "full" premises licence application.</p>		
<p>Rationale</p>		
<p>Internal Audit reviewed the files of ten applications for premises licences made since April 2009. Four of these were transfers or changes of Designated Premises Supervisor. The files for the remaining six "full" applications should contain a control sheet detailing key events in the application process, eg dates of advertisement, consultation and granting the licence, comments from responsible authorities, etc.</p> <p>For two of the six relevant files, CP005 and PL0129, the control sheet had not been completed fully.</p> <p>Without a completed control sheet detailing key events, a stage in the approval process could be missed and the Council may not be able to evidence that it has carried out all necessary procedures correctly.</p>		
<p>Management Response</p>		
<p>Staff have been reminded of importance of completion of the front sheets for Full Premises Licence applications to demonstrate and provide supporting information that various process stages and checks have been made.</p>		
Accepted	Implementation Deadline:	Immediate

Recommendation 6	Responsibility: Commercial Services Team Leader	Priority: 3
<p>The Council should ensure that it retains hard copies of documents which evidence key stages in the licence application and approval process.</p>		
<p>Rationale</p>		
<p>The licensing function is a quasi-legal activity that requires robust processes and documentary evidence to withstand potential challenges.</p> <p>As a minimum, it is expected that the Council would retain on file, and have readily available, copies of documents which would show that it had received an application and the relevant fee, carried out the necessary checks, consulted and issued the appropriate licence.</p> <p>The audit review checked a sample of applications for ten premises licences, ten personal licences and five temporary event notices (TENs). Where files could be located, they did not always contain documents for key stages in the approval process, including:</p> <ul style="list-style-type: none"> i) Letters acknowledging receipt of seven applications for premises licences; ii) Copy receipts for one premises and one personal application fee; iii) Original photographs of the applicant for one personal licence; iv) Evidence of the consultation period for one premises application; and v) Covering letters informing applicants of the outcome for eight premises and two personal licence applications. <p>Additionally, there was no record of the Police being notified or responding to three TEN applications; while this is not a legal requirement, it is the Department's practice to contact the Police to confirm that they have received the TEN from the applicant.</p> <p>In some of the above cases, although there was no hard copy evidence, a record that the information existed was noted on Lalpac.</p> <p>Without full documentary evidence and a sound management trail, the Council could be vulnerable in the event of a challenge to its handling of an application.</p>		
<p>Management Response</p>		
<p>With scanning in documents should provide backup to paper file in case any items are omitted from paper file. In addition it is proposed that a sample of applications will be checked for completeness of file content.</p>		

Note to be made on TENs application form that Police notified and if no response from Police.

Accepted

Implementation Deadline:

**1 October
2010**

Recommendation 7	Responsibility: Commercial Services Team Leader	Priority: 3	
<p>The Council should ensure that its filing and storage of hard copy information on applications for temporary event notices is complete, consistent and logical.</p>			
<p>Rationale</p>			
<p>Internal Audit selected a sample of five temporary event notices (TENs) approved since April 2009.</p> <p>Applications for TENs are filed in a separate cabinet from those for premises licences, however in extracting documents for this sample, Internal Audit found that the filing was inconsistent:</p> <ul style="list-style-type: none"> i) two notices could not be found in either the TENs section or premises files, preventing the completion of audit tests for these applications; ii) one notice was located in the premises file for the establishment; iii) the TEN for one event was located on the premises file; TENs for four other events at the same location were filed under the applicant's name or maiden name in the TENs section or on the premises file; and iv) one TEN was filed under the applicant's name rather than the venue in the TEN section. <p>These observations suggest that documentation may not be readily retrievable and that the efficiency of the filing system for TENs could be improved considerably.</p>			
<p>Management Response</p>			
<p>TENs to be scanned in and hard copies put on premises file rather than separate TENS file.</p>			
Accepted	Implementation Deadline:		Immediate

Recommendation 8	Responsibility: Commercial Services Team Leader	Priority: 3
<p>The Council should ensure that licences are issued promptly after the end of consultation and/or approval.</p>		
<p>Rationale</p>		
<p>Internal Audit reviewed a sample of ten applications for new or variation licences; five of which required consultation.</p> <p>For two of the applications, CP0051 and PL0129, licences were not issued until 38 and 50 days respectively after the end of the consultation period; the files did not indicate the reason for this interval.</p> <p>Customers would expect licences to be issued promptly once all necessary checks and consultations had been made.</p>		
<p>Management Response</p>		
<p>Licences are sent out as soon as possible. I can only assume that there was a valid reason why certain applications are held on to, including waiting for a DPS to be appointed (get qualification).</p> <p>Staff have been reminded to issue licences as soon as possible after end of consultation period.</p>		
Accepted	Implementation Deadline:	Immediate

APPENDIX 1

AUDIT FRAMEWORK

Coverage

The review covered the following areas which were agreed as part of the preliminary planning stage:

- applications for licences;
- approval process;
- collection and accounting for income;
- monitoring of licence conditions; and
- procedures.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

Performance

Auditors: Claire Jackson and Jack Jones

The fieldwork was performed: June – July 2010

All final Internal Audit reports are presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 10-27
NON ROUTINE PUBLIC BUILDINGS MAINTENANCE

Executive Summary

Introduction

The Council's Technical Support Unit are responsible for the administration of remedial building repairs, related budgetary control and authorisation of supplier invoices. The Technical Support Unit aims to work in partnership with all Council Premises managers and the Corporate Property Group to ensure the provision of safe, efficient and professional buildings, including plant. The budget for 2010/11 is £275,000; this relates to both planned and non routine public buildings maintenance.

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 non routine public buildings maintenance process. The scope and objectives of the audit were discussed and agreed in advance with Richard Hennah, Technical Support Unit Manager, and Brian Vickers, Building Surveyor.

Key Points
Substantial Assurance
Three important issues
Three minor issues

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 made three Priority 2 recommendations, which concern:

- obtaining quotations for buildings maintenance in accordance with the Council's Procurement Policy;
- reviewing the 'preferred contractors' used to ensure value for money is achieved; and
- reviewing the process for the completion of DS Orders.

In addition, we have identified four minor issues, which relate to:

- producing formal operational procedures;
- recording on the Remedial Repairs Policy the date for next review; and
- formalising the process for pre/post inspections.

Management Response

We have received a constructive management response from Richard Hennah, Technical Support Unit Manager, accepting each of our recommendations.

Acknowledgement

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

Recommendation 1	Responsibility: Technical Support Unit Manager	Priority: 2
<p>All quotations for buildings maintenance should be obtained in accordance with the Council's Procurement Policy.</p>		
<p>Rationale</p>		
<p>Internal Audit selected a sample of five DS Orders (public buildings maintenance) in excess of £5,000 from a report of all DS Orders; to check for compliance regarding procurement rules. The Council's Procurement Policy requires where the work is estimated to be between £5,001 - £25,000 that three written quotations are obtained.</p> <p>Internal Audit were informed by the Technical Support Unit Manager that quotations had not been obtained for the sample selected. In these instances 'preferred suppliers' had been used; although there is, as such no preferred suppliers list in existence based on a quotation/tendering exercise. The identified procurement of the works has therefore contravened the Council's current Procurement Policy.</p>		
<p>Management Response</p>		
<p>A new procurement policy was accepted in June 2010 with the option for regular works under the value of £5,000 to be awarded to a contracted supplier. This supports the schedule followed by TSU over the last 18 months. This has included retendering key service contracts for buildings and plant. These service suppliers are asked to provide a quotation if a repair is likely to cost more than £500. If the figure approaches £5,000 then further quotations are requested from the shortlisted companies via the chest. The shortlisted companies are listed under suppliers list.</p> <p>Repairs covered by these service contracts are therefore covered although this procedure is new to TSU.</p> <p>The residual weakness relates to non service contract repairs such as reactive electrical, plumbing, glazing or metal work repairs and also single site contracts such as pool maintenance. TSU has offered to add these single site contracts to their tender schedule for review.</p> <p>These suppliers had not been retendered because they fell outside the scope of the pilot procurement project using the chest. Now the Chest has been formally adopted supplier lists and a preferred supplier contract will be established for these trades. The new supplier list quotation procedure can then be adopted for these trades. Training is being delivered to roll this out across the department.</p>		
<p>Accepted</p>	<p>Implementation Deadline:</p>	<p>31 October 2010</p>

Recommendation 2	Responsibility: Technical Support Unit Manager	Priority: 2	
<p>The Council should review the 'preferred contractors' currently used to ensure value for money is achieved.</p>			
<p>Rationale</p>			
<p>The Council currently uses specific contractors for general works, electrical, plumbing, glazing and drains. Although referred to as 'preferred contractors/suppliers, this has not been formalised. The contractors have been used for a number of years based on historical hourly rates; Internal Audit were informed that the services provided had not been tendered or subject to formal review in recent years. It is understood that this is under review and will be remedied following the implementation of the revised Procurement Policy and Contract Standing Orders.</p>			
<p>Management Response</p>			
<p>This is underway. Draft procurement documents for these tenders have been prepared and a spend analysis for these trades made to establish the correct procurement procedure.</p> <p>Electrical – Bill Caulfield.</p> <p>Plumbing and glazing – Wards.</p> <p>Metal work – Gilmour's.</p> <p>Are due for tender in the next six months.</p> <p>The general works repairs are carried out by Integral and this is covered by the housing repairs contract.</p> <p>Pool Maintenance- Correct Flow.</p> <p>Dock Gate Maintenance- FFP.</p> <p>The short list from these tender exercises will form the approved list to request quotes for any work over £5,000 although in many cases this requirement is rare.</p>			
Accepted	Implementation Deadline:	31 December 2010	

Recommendation 3	Responsibility: Technical Support Unit Manager	Priority: 2
<p>The Council should consider reviewing the process for the completion of DS Orders.</p>		
<p>Rationale</p>		
<p>The Council receives approximately 1,000 requests for non routine public building maintenance repairs each year. For each request a manual 'DS Order' is completed; one copy is retained by the Technical Support Unit and a second copy is issued to the supplier. Internal Audit selected a sample of twenty DS Orders raised during the previous 12 months. The review identified that the estimated cost was only stated on the order on one occasion; for the remaining nineteen orders an estimate of the cost was not stated on the order. Without inclusion of estimated costs it is difficult to understand how value for money can be achieved; and introducing this process may assist with budget monitoring and control.</p> <p>In addition, the review identified that none of the DS Orders stated whether the job was emergency, urgent or routine. These classifications are pre-worded on the DS Order form. If the classifications are not relevant to requested works the form should be modified to align with procedure.</p> <p>Internal Audit were informed that orders for repairs may in future be entered directly onto the Oracle system which will require the above information to be entered to allow the order to proceed.</p>		
<p>Management Response</p>		
<p>The preferred suppliers for remedial repairs have originally been benchmarked on an hourly rate rather than a schedule of rates. Also once a contract is awarded to a preferred supplier they know they will be carrying out the work if values are perceived to be reasonable. The weakness now being that trust with the preferred supplier is essential. To mitigate this TSU needs to undertake a benchmark of some of the routine tasks and to compare them to a schedule of rates to monitor best value.</p> <p>The option to move the current manual system on to the new upgraded Oracle is being explored with a definitive answer expected by October 2010 with implementation by January 2011. The move to using oracle will ensure estimates and priority for the work is recorded.</p> <p>If this system is deemed to be too cumbersome a review of the paper based system will be undertaken.</p>		
Accepted	Implementation Deadline:	31 January 2011

Recommendation 4	Responsibility: Technical Support Unit Manager	Priority: 3
<p>The Technical Support Unit should consider producing formal operational procedures covering the overall process from receiving notification of required works, through to raising orders and undertaking repairs.</p>		
<p>Rationale</p>		
<p>Internal Audit were informed that operational procedures covering the management of the public buildings repair process did not exist. The introduction of formal procedural guidance would provide a point of reference during staff absence; and aid consistency and compliance.</p>		
<p>Management Response</p>		
<p>Since the establishment of Technical support unit in September 2008 there have been lots of changes. Including; service level agreements with venue managers, Capital project forms, a new procurement policy, reducing service contract suppliers and assigning monitoring roles to each of the team. The pace of change means that although there is clear guidance on the role of the department there is little detail on the processes to carry this out.</p> <p>This is mitigated by weekly team meetings to give team members chance to raise issues and discuss the best method also being a small team of five in the same office allows frequent discussion of corporate policy and procedure that dictate to our department.</p> <p>With the volume of changes still to come as agreed elsewhere in this service report a Normal Operating Procedure is likely to keep becoming out of date and distract from the service delivery. If this is introduced it will not be in the short or medium term.</p>		
Accepted	Implementation Deadline:	No further action

Recommendation 5	Responsibility: Technical Support Unit Manager	Priority: 3
<p>The Council should consider recording on the Remedial Repairs Policy the date for next review, and state the author/responsible officer.</p>		
<p>Rationale</p>		
<p>The Technical Support Unit has produced a Remedial Repairs Policy to provide guidance to Premises Managers. Internal Audit reviewed the Remedial Repairs Policy on the Council's intranet site. The Remedial Repairs Policy was discussed and approved by the Contracts & Procurement Group on 6th November 2008.</p> <p>The policy is annotated with the approved date; however it does not state when the next review date will be or who is the responsible officer.</p>		
<p>Management Response</p>		
<p>A fairly simple task. The Technical Support Unit Manager introduced these service level agreements and policy and can review them bi-annually and when significant change is made.</p>		
Accepted	Implementation Deadline:	30 November 2010

Recommendation 6	Responsibility: Technical Support Unit Manager	Priority: 3
<p>The Council should consider formalising the process for pre/post inspections for public buildings maintenance.</p>		
<p>Rationale</p>		
<p>The audit review identified that a formal procedure for performing pre and post inspections in relation to public buildings maintenance is not in place. Inspections do occur on an ad hoc basis; however where inspections are performed these are not formally documented.</p> <p>Introducing a procedure for inspections, for example based on value or risk may assist in providing the Authority with a more robust and transparent remedial repairs function. This may also assist with estimating and budgetary control issues.</p>		
<p>Management Response</p>		
<p>The current position is that we have trained and competent staff receiving the calls for repairs, trained and competent venue managers able to be the eyes and ears at the venue and TSU undertakes to vet and monitor to appointed contractors to make sure they are also competent.</p> <p>TSU officers will therefore only attend site for pre and post work inspections if; the solution is unclear, there is a risk or impact on the venue, its visitors or the contractor and that this risk is anticipated as a part of the repair method.</p> <p>Venue managers are on site and able to notify TSU if a repair has not been carried out. For service contracts TSU also provide a contract lead who monitors the work completed by the contractor by meeting the contractors supervisor.</p> <p>A review of the service level agreement may produce a way to express this more clearly. Attending site pre and post each job is not judged to be an efficient use of time.</p>		
Accepted	Implementation Deadline:	30 November 2010

APPENDIX 1

AUDIT FRAMEWORK

Coverage

The review covered the following areas which were agreed as part of the preliminary planning stage:

- Receipt & recording of maintenance requests;
- Assessment & prioritisation of maintenance requests;
- Selection of contractors;
- Pre/post inspection checks; and
- Payments & budgetary control.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

Performance

Auditors: Claire Jackson and Keith Jackson

The fieldwork was performed: May-July 2010

All final Internal Audit reports from April 2007 will be presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 09-04
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.

During 2009/10, the Borough Treasurer's Department implemented an updated version of the Oracle system and introduced a new accounting code structure.

Audit Objectives

An audit of this system forms part of the agreed 2009/10 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 Susan Roberts, Deputy Borough Treasurer.

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

Key Points
Substantial Assurance
No new recommendations
Two previous recommendations

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which put some of the system objectives at risk. We have not made any new recommendations; however, two of the three recommendations made in our previous audit report 08-11, dated July 2009, remain outstanding, which concern:

- documenting the monthly review of each suspense account; and
- performing control account reconciliations on a consistent and timely basis.

Management Response

We have received a constructive management response from Sue Roberts, Deputy Borough Treasurer, advising us of the implementation of the previous recommendations.

Acknowledgement

Internal Audit would like to thank staff of the Borough Treasurer's Department for their co-operation and assistance during the review.

Previous Recommendations	Responsibility: Deputy Borough Treasurer
<p>The Council should implement the agreed outstanding recommendations from Audit Report 08-11, dated July 2009, namely:</p> <ol style="list-style-type: none"> 1. The Council should ensure that each suspense account has evidence of a monthly review. (Priority 3) 2. The Council should ensure the monthly Oracle Control Account reconciliations are performed on a consistent and timely basis. (Priority 3) 	
Rationale	
<p>Internal Audit review the reconciliations of these accounts on a regular quarterly basis. Throughout 2009/10 there were several occasions where reconciliations had not been completed or were not completed promptly.</p> <p>Regular reconciliations were partially suspended during the implementation of the new version of the Oracle software midway through 2009/10, however our review for the final quarter of the year (January to March 2010) showed that reconciliations were not completed and/or documented for every month:</p> <ol style="list-style-type: none"> 1. A monthly review had been performed and documented for three of five sampled suspense accounts. No documentation was retained for the other two accounts (the Payables and Receivables Suspense Accounts); however Internal Audit were informed that reviews of these accounts had been undertaken. Neither account had items posted to it during the quarter. 2. Five Oracle control accounts are monitored regularly. Our testing showed the following results: <ol style="list-style-type: none"> a. Accounts Payable: Timely reconciliations had been performed each month. b. Accounts Receivable: Reconciliations had been performed for each month, but two had not been completed promptly. c. Purchasing Control/ Purchase Order: These accounts have only been reconciled at year-end; it is planned to revert to monthly reconciliations in 2010/11. d. Housing Benefits posted to General Ledger: Reconciliations had been performed on a timely basis for two months, but one was not completed for January. e. Payroll: Reconciliations had been performed for each month, but one had not been completed promptly. 	
Management Response	

All reconciliations for 2009-10 were completed for year end. In May 2010 the Systems and Control Accountant was appointed and is now managing the reconciliations for both control and suspense accounts against a set timetable. All reconciliations for 2010-11 are on schedule.

Revised Implementation Deadline:	Implemented
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APPENDIX 1**AUDIT FRAMEWORK****Coverage**

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- processing controls (including feeder systems);
- review of control & suspense accounts;
- journal control;
- VAT procedures;
- year-end procedures/timetable;
- bank reconciliation; and
- chart of accounts.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

In addition, Internal Audit reviewed management's progress in implementing the agreed recommendation from our previous audit report.

Performance

Auditors: Claire Jackson and Jack Jones.

The fieldwork was performed: April – June 2010

All final Internal Audit reports are presented to the Council's Audit Committee.

APPENDIX 2**CLASSIFICATIONS****Assurance Level**

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 09-05
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. 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. During the 2008/09 financial year a review was undertaken by the Audit Commission relating to Liberata's delivery service, which concluded with the opinion of "poor" with poor prospect of improvement. A re-inspection was performed in January 2010. This report does not refer to the findings of that review and has differing objectives.

Audit Objectives

An audit of this system forms part of the agreed 2009/10 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 Sue Roberts, Deputy Borough Treasurer and Scott Wilson, Liberata Service Team Manager.

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.

Key Points
Substantial Assurance
Two important issues
Two minor issues
Two previous recommendations

Audit Conclusion – *Substantial Assurance*

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

- seeking assurance from Liberata that benefit entitlement is being calculated on a correct and consistent basis and that sufficient Barrow Borough Council claims determined are reviewed as part of the Quality checks performed; and
- ensuring that a signed claim form is held for each benefit claim in payment and all documents provided to support the claim are stamped 'original seen', initialled and dated by the assessor.

In addition, we have identified two minor issues, which relate to:

- ensuring all overpayments are accurately processed and classified; and
- ensuring that fraud investigation case data, returned to the DWP, can readily be traced to source documentation.

Internal Audit reviewed the nine accepted recommendations made in the previous audit report 08-12, dated December 2009. Six recommendations have been implemented, one recommendation has been overtaken by events and the remaining two recommendations remain outstanding and concern:

- consistently issuing an acknowledgement letter/receipt to claimants detailing the receipt of the claim form and supporting documents; and
- providing the Housing Benefits (Rent Allowance) reconciliation spreadsheet to the Housing Accountant on a regular and consistent basis.

Internal Audit also reviewed the outstanding agreed recommendation made in audit report 06-30, dated March 2008. The recommendation has been overtaken by events.

Management Response

We have received a constructive management response from Mohamad Saleh, Borough Treasurer, Scott Wilson, Service Team Manager and Martin Smith, Investigations Officer, accepting each of the recommendations.

Acknowledgement

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

Recommendation 1	Responsibility: Borough Treasurer	Priority: 2
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The Council should continue to monitor the performance of Liberata regarding the calculation of benefit entitlement on a sufficiently accurate and consistent basis; ensuring agreed quality checks meet the required standards.

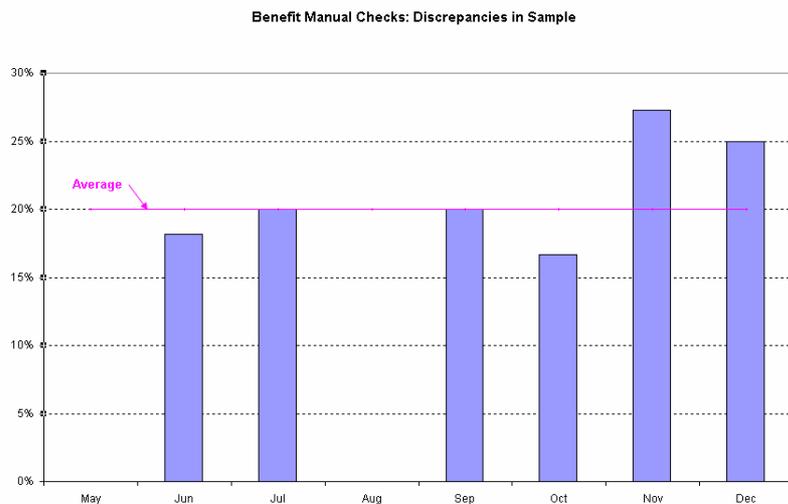
Rationale

For a sample of 50 Benefit claims relating to Council Tax, Rent Allowance and Rent Rebate, Internal Audit carried out a manual re-calculation of entitlement based on information held within the benefits system. The following discrepancies were identified:

	Sample Size	Discrepancies	
		No.	%age
Council Tax	20	4	20
Rent Allowances	15	5	33
Rent Rebates	15	1	7
Total	50	10	20

Several of these discrepancies had already been identified before the time of the audit review by subsequent re-calculations or quality checks by Liberata or client staff; however these were processing errors and at 20%, the high overall proportion of potential errors gives rise to concern. Additionally, this is below the 85% accuracy rate, recently agreed between the Council and the Contractor.

The sample covered claims assessed in May to December 2009: although based on relatively small monthly figures, discrepancies occurred throughout this period:



In addition, Internal Audit selected a random sample of 20 days in 2009/10 and reviewed the test checks performed by Liberata, which are in addition to the Client Monitoring checks performed. It was identified on 14 of the 20 days in the sample, that Liberata had not performed any quality checks. Of the six days where checks were performed, Barrow Borough Council claims were included on only three days. Where Barrow checks were performed the percentage ranged from being 1% to 33% of the total checks on a particular day.

It should be noted that during the financial year a revised quality checking procedure has been introduced; the benefits of which may not therefore materialise until 2010/11, as the procedure takes time to become effective. This process involves Liberata obtaining the results of all client teams' 10% test checks (required through legislation) to 'target' additional quality checks in areas identified as weak or below expectation. Although the level of 'targeted' quality checks performed is not quantified, it is expected that these will be sufficient to ensure the accuracy rate of 85% is achieved.

Management Response

This is monitored at the monthly operational meetings and the new quality targets have been set to reflect the developing quality framework, which uses a recently introduced quality toolkit shared between the Council and Liberata.

Accepted

Implementation Deadline:

Immediate

Recommendation 2	Responsibility: Service Team Manager	Priority: 2	2
<p>Liberata should ensure that:</p> <ul style="list-style-type: none"> a) a signed claim form is held for each benefit claim in payment; and b) all documentation provided to support the claim are stamped 'original seen' and initialled and dated by the assessor. 			
Rationale			
<p>As part of the compliance testing performed, Internal Audit selected a sample of 30 new benefit claims made since April 2009 and reviewed the supporting documentation held on the Anite system.</p> <ul style="list-style-type: none"> a) It was identified that for one claimant, who is a joint tenant with a further claimant, there was only one signed claim form held on Anite. b) For sixteen claims within the sample, one or more copy documents had not been stamped 'original seen'. For fifteen of these claims, one or more copy documents had not been initialled and dated, to indicate that an assessor had examined them and confirmed the original documents had been provided. 			
Management Response			
<p>I agree with recommendation (a), as the normal policy, is a signed claim form is needed for us to assess the claim (as long as all other required information is provided). However, for the one claim form which wasn't signed, a visiting officer has now visited the claimant and the claim form has been signed.</p> <p>I agree with recommendation (b) as the policy, is for original documentation to be stamped original seen, however this is not done by the benefits assessor, but by customer services.</p>			
Accepted	Implementation Deadline:		31 July 2010

Recommendation 3	Responsibility: Service Team Manager	Priority: 3	3
<p>Liberata should ensure all overpayments are accurately processed in accordance with the appropriate classification.</p>			
<p>Rationale</p>			
<p>Following processing of a benefit claimant's change in circumstance, an overpayment may be generated which is classified as either 'Claimant error', Local Authority error', 'Technical' 'Administrative delay' or 'other'. Internal Audit verified the information received date, the date of change in circumstances and the calculation date for a sample of twenty overpayments processed in 2009/10, in order to assess whether the overpayment had been correctly classified.</p> <p>On eighteen occasions the overpayment had been correctly classified. However for two of the sample there was an error in the overpayment classification.</p> <p>In addition the information received date recorded on iWorld could not be verified by Internal Audit for two of the sample of cases selected.</p>			
<p>Management Response</p>			
<p>I agree with the above recommendation, and we will ensure overpayments are coded and classified correctly.</p>			
Accepted	Implementation Deadline:	31 July 2010	

Recommendation 4	Responsibility: Investigations Officer	Priority: 3
<p>Liberata should ensure that fraud investigation case data, returned to the DWP, can readily be reconciled to source documentation.</p>		
<p>Rationale</p>		
<p>Internal Audit were provided with copies of the three Housing Benefit Recoveries and Fraud (HBRF) returns for 2009/10, and the monthly summaries of fraud cases compiled by the Administrative Officer. These returns notify DWP of the number of fraud cases at various stages of investigation, e.g. referrals, closed cases, sanctions and prosecutions.</p> <p>Internal Audit summarised the monthly data into quarterly totals across the HBRF headings but were unable to agree these to the figures submitted on the returns.</p>		
<p>Management Response</p>		
<p>This has now been resolved.</p>		
Accepted	Implementation Deadline:	Implemented

Previous Recommendations	Responsibility: Service Team Manager
<p>The Council should implement the outstanding agreed recommendations from Audit report 08-12, dated December 2009, namely:</p> <ol style="list-style-type: none"> 1. Liberata should consistently issue an acknowledgement letter/receipt to all relevant claimants detailing the receipt of the claim form and supporting documents. (Priority 2) 2. Liberata should provide the Housing Benefits (Rent Allowance) reconciliation spreadsheet to the Housing Accountant on a regular and consistent basis. (Priority 3) 	
Rationale	
<ol style="list-style-type: none"> 1. When a benefit claim form is received at the 'First Point' reception, based within the Town Hall, a receipt is completed by staff, recording the documents received from the claimant, which are scanned into the Anite system. For postal claims, an acknowledgement letter is issued, also detailing the documents received and where necessary requesting further information. Internal Audit selected a sample of thirty new claim forms processed since April 2009 and identified that an acknowledgement letter or receipt had not been issued for nine of the sample. This weakness does not demonstrate compliance with expected practice and reduces the assurance the Council can place on internal control arrangements. 2. A weekly reconciliation of Rent Allowance payments, from the benefits system, and actual payments made, is performed by the Liberata Service Team Manager and recorded on a specific spreadsheet. In addition, the Borough Treasurers Department perform a monthly reconciliation of rent allowance payments. The figures are reviewed and any discrepancies corrected. During 2009/10 it was identified that the spreadsheet was forwarded to Borough Treasurers monthly from May to September. Following the departure of the Housing Accountant in October, the spreadsheet was issued to the Deputy Borough Treasurer at the end of November 2009 and January 2010 only. 	
Management Response	
<p>With regards to recommendation (1), we give receipts at first contacts, however evidence issued via post, also from third parties i.e. Job Centre and Pension Service no receipts are given, so no receipts are given in these instances. There is no legal requirement to be issued, and it is just good practice for this to be done, but the above instances fall outside the scope of receipts being issued.</p> <p>I agree with recommendation (2) and reconciliation going forward will be issued on a monthly basis.</p>	
Revised Implementation Deadline:	31 July 2010

APPENDIX 1**AUDIT FRAMEWORK****Coverage**

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- Receipt of new claims and processing of applications;
- Determination, notification and payment of benefits;
- Overpayments;
- Anti-Fraud work;
- Reconciliation of feeder systems to HB; and
- Management Checks and statutory returns.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

In addition, Internal Audit reviewed management's progress in implementing the agreed recommendations from our previous audit report.

Performance

Auditors: Sarah Williams and Jack Jones.

The fieldwork was performed: January to April 2010

All final Internal Audit reports from April 2007 will be presented to the Council's Audit Committee.

APPENDIX 2**CLASSIFICATIONS****Assurance Level**

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.