

# **BOROUGH OF BARROW-IN-FURNESS**

## **AUDIT COMMITTEE**

Meeting, Thursday, 3rd March, 2016  
at 2.00 p.m. (Committee Room No. 4)

### **A G E N D A**

#### **PART ONE**

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

#### 3 **Admission of Public and Press**

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

#### 4 Declarations of Interest

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

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

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

- 5 To confirm the Minutes of the meeting held on 10th December, 2015 (copy attached) (Pages 1-9).
6. Apologies for Absence/Attendance of Substitute Members.

#### **FOR DECISION**

- (D) 7. Internal Audit Final Reports (Pages 10-11).
- (D) 8. Internal Audit Progress Report (Page 12).

- (D) 9. Internal Audit Annual Plan (Page 13).
- (D) 10. External Audit – Committee Update (Page 14).
- (D) 11. External Audit Annual Plan (Page 15).
- (D) 12. Audit Committee Update (Pages 16-17).
- (D) 13. Going Concern (Pages 18-20).
- (D) 14. Accounting Policies (Pages 21-22).
- (D) 15. Audit Committee Work Plan (Page 23).
- (D) 16. Risk Management (Page 24).
- (D) 17. Code of Corporate Governance (Page 25).
- (D) 18. Monitoring Priority 1 Recommendations (Pages 26-27).

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

**Membership of Committee**

Councillors Burns (Chair)  
Harkin (Vice-Chair)  
Callister  
Gawne  
Murray  
Seward

**For queries regarding this agenda, please contact:**

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## **AUDIT COMMITTEE**

Meeting Thursday 10th December, 2015  
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman), Callister, Gawne, Murray, Seward and Sweeney.

Officers Present:- Sue Roberts (Director of Resources), John Penfold (Corporate Support Manager), Brooke Parsons (Corporate Support Assistant) and Sharron Rushton (Democratic Services Officer).

Also present were Neil Krajewski and Maeve Morgan from Grant Thornton and Keith Jackson from Internal Audit.

### **25 – Minutes**

The Minutes of the meeting held on 24th September, 2015 were taken as read and confirmed.

### **26 – Apologies for Absence/Attendance of Substitute Members**

Apologies for absence had been received from Councillor Harkin and Jackie Bellard from Grant Thornton.

Councillor Sweeney had attended as a substitute for Councillor Harkin for this meeting only.

### **27 – Internal Audit Final Reports**

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

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

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

1. Cash Floats & Receipting Controls – 1 previous recommendation;
2. Budgetary Control – Unqualified Assurance; and
3. Treasury Management – Unqualified Assurance.

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

RESOLVED:- To note the Internal Audit Final Reports.

## 28 – Internal Audit Progress Report – December 2015

The Director of Resources reported that the Internal Audit Progress Report for the period 1st April, 2015 to 1st December, 2015 had been produced by the Head of Internal Audit.

The Head of Internal Audit attended the meeting to present the report to Members.

No Priority 1 recommendations were made during the reporting period.

The report contained a statistical summary of the numbers of audit recommendations (42). It was noted that 41 recommendations had been fully accepted and 1 recommendation had been partly accepted. Each of the recommendations had been assigned a priority grade 1-3, 1 being major issues and 3 being minor issues. 6 had been rated Priority 1, 28 had been rated Priority 2 and 8 had been assigned Priority 3.

The Head of Internal Audit reported that the Fraud Hotline was a well used service and presented the following statistics to Members:-

### Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2015/16 (April – December)	27	1	5	33
2014/15 (Full year)	71	0	4	75

The Head of Internal Audit reported that the Public Sector Internal Audit Standards (PSIAs) required Internal Audit to be measured in terms of performance. The indicators below provided information over the arrangement and effectiveness of Internal Audit:-

Indicator		2015/16
1	Percentage of Draft reports issued within 10 working days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	70%
3	Percentage of Final Reports issued within 10 working days of receipt of management response.	100%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

RESOLVED:- That the report be received.

## **29 – External Audit - Annual Audit Letter for the year ended 31st March, 2015**

The External Auditor presented the Annual Audit Letter for the year ended 31st March, 2015. A copy of the Annual Audit letter had been appended to the report. The letter summarised the key findings which had arisen from the following works that External Audit had carried out at the Council for the year ended 31st March, 2015:-

- Financial Statements Audit (including Audit Opinion);
- Value for Money (VfM) Conclusion;
- Certification of Housing Benefit Grant Claim; and
- Audit Fee

The Audit conclusions were as follows:-

- An unqualified opinion on the Accounts which gave a true and fair view of the Council's financial position as at 31st March, 2015 and its income and expenditure for the year; and
- An unqualified conclusion in respect of the Council's arrangements for securing the economy, efficiency and effectiveness in its use of resources.

### Key Areas for Council Attention

Audit summarised the significant recommendations identified during the 2014/15 audit:-

- **Configuration of Main Accounting IT System** – ensure that staff were only allocated access to the Oracle system which was commensurate with their responsibilities and establish audit logging within the Oracle system so that management could detect instances where users may have made inappropriate use of their access to the system;
- **Value for Money – Internal Reporting** – Expand budget monitoring reports to the Executive Committee so that they provided details of the progress made towards achieving the savings agreed as part of the forthcoming budget strategy;
- **Value for Money – Sickness Absence** – Produce a comprehensive action plan to address the Council's deteriorating sickness absence and ensure progress against that action plan was appropriately monitored.

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

## **30 – External Audit - Committee Update**

The External Auditor presented the Audit Committee update report to Members.

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

A Table of Progress as at December 2015 had been presented as follows:-

<b>Work</b>	<b>Planned date</b>	<b>Complete?</b>	<b>Comments</b>
<p><b>2015-16 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p>	March 2016	No	We will present our Audit Plan at the Audit Committee meeting scheduled for 3rd March 2016.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	February 2016	No	We plan to undertake our interim audit work in January and February 2016
<p><b>2015-16 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	June - August 2016	No	We will commence our post statements audit once the unaudited accounts are authorised for issue by the Director of Resources.
<p><b>Value for Money (VfM) conclusion</b> The arrangements relating to the conduct of our Value for Money work have been revised with effect from the 2015/16 financial year following publication of the National Audit Office's Code of Audit Practice (further details are included on pg. 13). We are required to undertake sufficient work, based on a risk assessment, to</p>	September 2016	No	We will commence our value for money work in early 2016 and meet with relevant officers to inform our risk assessment.

enable us to conclude whether in all significant respects, the Council has put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the relevant period.			
<p><b>Other areas of work</b></p> <ul style="list-style-type: none"> <li>• Certification of 2014-15 Housing Benefits claim</li> </ul>	November 2015	Yes	We recently concluded certification work on the Council's Housing Benefit claim. The claim was qualified on the basis of errors identified as part of the detailed testing which we undertook in accordance with guidance issued by the Department of Work and Pensions.

Members of the Audit Committee were reminded that they could find further useful material on the Grant Thornton website where they had a section dedicated to their work in the Public Sector. Publications included:-

- Making Devolution Work: A Practical Guide for Local Leaders;
- Spreading their Wings: Building a Successful Local Authority Trading Company;
- Easing the Burden: A Report on the Impact of Welfare Reform on Local Government and Social Housing Organisations; and
- All Aboard? Local Government Governance Review 2015.

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

### **31 – External Audit - Certification Work**

The External Auditors presented the Certification report for 2014/15. They explained that they were required to certify certain claims and returns submitted by the Council. The certification typically took place 6-9 months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

They had certified one claim for the financial year 2014/15 relating to Housing Benefits. The certification report had been appended to the report. The work on this claim indicated that the Council had appropriate arrangements to compile and complete claims for audit certification on a timely basis. However, the detailed work identified a number of errors which led them to qualify the claim.

The work on Housing Benefits required them to undertake a series of tests to certify the return that the Council submitted to the Department of Work and Pensions (the DWP) setting out the total amount of subsidy to be claimed. The

total subsidy claimed by the Council in 2014/15 was £20.79 million with corresponding expenditure of £20.86 million to claimants. The £20.79 million subsidy received included £0.36 million for the administration of housing benefits.

In accordance with the certification instruction, the Auditors were obliged to qualify the claim and issue a qualification letter when they identified errors as part of their programme of testing. This year's claim was qualified on the basis of errors identified affecting both Rent Rebate and Rent Allowance whereby claimants in receipt of Housing Benefit had either been underpaid or overpaid.

Full details of all claims and returns subject to certification had been provided in the letter appended to the report.

The qualification letter was issued on 26th November, 2015 ahead of the deadline of 30th November, 2015. The Auditors noted that the number of errors was similar to previous years although the value of the errors found had reduced. However, a particular problem identified this year concerned the classification of some individually significant overpayments. It was recommended that the Council undertook a quarterly review of high value overpayments so that the Council could take assurance that these had been correctly classified before the claim was submitted to the DWP.

The indicative grant claim certification fee for 2014/15 for the Council was based on the final 2011/12 certification fee, reflecting the amount of work required by the Auditor to certify claims and returns in the year, as adjusted to remove fees relating to claims which no longer required certification. The indicative scale fee set by the Audit Commission for the Council for 2014/15 was £18,310 and it was confirmed that this was the final fee for the 2014/15 financial year. This represented a small reduction on the final fee for 2013/14 which was £18,430.

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

### **32 – Monitoring Priority 1 Recommendations**

The Corporate Support Manager reported that Internal Audit undertook reviews of the Council's Systems as defined in the Annual Audit Plan. The audit conclusion may include Priority 1 recommendations which related to major issues that needed to be brought to the attention of Senior Management. Senior Managers considered the recommendations and determined whether to accept or reject them. If the recommendation was accepted the Manager was agreeing to implement the recommendation.

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

There was one on-going Priority 1 recommendation relating to the kennels report:-

1. The Council should ensure that all receipts issued by Officers were from an official receipt book provided by the Finance Department.

The Streetcare Manager was issued with an official receipt book in June 2015 which is currently in operational use at the kennels.

There were three recommendations in the procurement report:-

1. The Council should ensure that procurements/purchases were consistently made in accordance with the competition requirements of its Purchasing Policy.

Managers had been reminded of the current Purchasing Procedure and its requirements. The Procedure would be revised again early in 2016 with operational feedback sought from across the Council. Revisions would be incorporated only where there was no detrimental impact on key internal controls.

2. The Council should formally tender the contract for inspection and repair of the Borough's playgrounds in accordance with procurement regulations.

The temporary arrangement remained in place at this time. The Assistant Director - Community Services would provide an update to the position for the March 2016 Audit Committee.

3. The Council should ensure that correctly authorised official purchase orders were issued for all relevant supplies in accordance with the Authority's procedures.

Managers had been reminded of the current Purchasing Procedure and its requirements. The Procedure would be revised again (including additional clarifications) early in 2016 with operational feedback sought from across the Council. Revisions and clarifications would be incorporated only where there was no detrimental impact on key internal controls.

There was an outstanding priority recommendation from the Business Continuity report:-

1. The Council should produce a formally approved and up to date Business Continuity Plan.

ICT disaster recovery arrangements were in place and were being tested. A regular testing programme was being developed to ensure that the arrangements were robust. Testing would take place in October 2015.

The IT Service Team had carried out testing and had confirmed that data could be recovered from the back up servers. It could not yet be confirmed that the data could be accessed from the Park Leisure Centre at this stage because the upgrade of the crematorium building prevented the Council from using the microwave repeater which forwarded the data.

RESOLVED:- To note the report.

### **33 – Risk Management**

The Corporate Support Manager attached as an appendix to his report the Risk Register for 2014/15. He reported that the Register continued to focus on business critical risks which were under the control of the Council.

The Risk Register had been reviewed by Management Board at their meeting in November 2015 and the following changes were agreed:-

#### **Operational Risks**

Management Board had agreed two additional risks.

In response to an Internal Audit recommendation IT Services had identified three operational risks:-

- Breach of IT net work;
- Significant system failure; and
- Unmanaged access to network.

The assessments relating to these risks were in the Operational Risk Register 010m 011 and 012 which was attached as an appendix to the report.

RESOLVED:- To note the report.

### **34 – Audit Committee Update**

The Director of Resources submitted a report providing an update on the 2015-2016 Accounts and an update on current issues and developments.

#### **Statement of Accounts**

The timetable for preparing the Statement of Accounts 2015-2016 would be agreed in January 2016 and would reflect any adjustments that were identified during the 2014-2015 process. Each year the Accountancy Services Manager monitored the closedown process and then re-ordered certain events and tasks, and addressed any bottlenecks. Sometimes these were caused by external factors, but plans were developed to mitigate these as far as possible.

From 2017-2018 the audited Statement of Accounts would be published by 31st July, with 31st May as the date to issue the draft Statement. This was currently 30th September and 30th June. In order to meet this challenge, the Accountancy Services Manager would be timetabling for an earlier closedown of 2015-2016, however the Council were holding onto 30th June, 2016, as the date to issue the draft Statement – the Council were using this year as a dry run in preparation of the reduction in time over the next couple of years.

An area where changes were being made to speed up the closedown process was pension accounting. In order to receive pension valuation certificates before the usual mid-May time, there would be more estimation in the figures provided to the Actuary. The estimates in terms of the Council's pension contributions were

robust and straight forward to prepare, the estimates of assets and future liabilities that the Pension Section prepared for the whole fund where the large figures come from.

A change in the Accounting Code of Practice that the Council currently were working through related to the measurement of fair value. The Code required assets and liabilities to be measured and disclosed in accordance with IFRS 13 *Fair Value Measurement*. Property, plant and equipment that were operational and therefore providing service potential were measured for their service potential rather than fair value. Fair value was the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For 2016-2017 the measurement of transport infrastructure assets would be adopted by the Code. This meant that assets such as roads and street furniture would be measured or valued in accordance with the Code. There were some disclosure requirements for the 2015-2016 Statement of Accounts relating to this change. As Cumbria County Council was the highways authority, it had been proposed that the un-adopted highways assets held by the Borough Council were valued as part of the exercise that the County Council would be carrying out for their Statement of Accounts. That would be the most efficient way for the Borough Council to obtain this information and the possibility of adoption for the major asset the Council held was being actively pursued with County Officers.

### **Actions from 2014-2015**

The actions from the Annual Governance Statement and Annual Governance Report were being monitored for the Director of Resources by the Corporate Support Assistant. The actions and the updated Management responses were attached as an appendix to the report.

### **Council Tax Collection**

The Government had consulted on improving the efficiency of Council Tax Collection. The summary of proposals was set out in the update from the External Auditors. The Councils' Council Tax collection rate had been between 96.6% and 96.8% for the last six years. Any efficiencies coming from the consultation were welcomed.

### **Training**

Furness Audit provided training on 10th November, 2015. The Director of Resources thanked the Head of Internal Audit for providing the training for Members. Should Members require any further training; this could be raised through the Personal Development Plan process or with the Director of Resources for specific Audit Committee requirements.

RESOLVED:- To receive the Director of Resources' report.

The meeting closed at 3.00 p.m.



<b>AUDIT COMMITTEE</b>	<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>7</b>
<b>Date of Meeting: 3rd March, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Internal Audit Final Reports</b></p> <p><b>Summary and Conclusions:</b></p> <p>Internal Audit performs audits in accordance with the approved Annual Plan. Final reports are presented to Members by the Head of Internal Audit.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the Internal Audit Final reports and raise any questions.</p>	

### **Report**

There are seventeen final reports for consideration by Members:

- 15-01 Income Collection - **Appendix 1**
- 15-02 Housing Benefits - **Appendix 2**
- 15-03 Council Tax - **Appendix 3**
- 15-04 NNDR - **Appendix 4**
- 15-09 Performance Management - **Appendix 5**
- 15-13 Payroll - **Appendix 6**
- 15-18 Accounts Payables - **Appendix 7**
- 15-19 Housing Rents - **Appendix 8**

### **Contract Audits**

*CHP refers to Cumbria Housing Partnership*

- CR93 CHP Roosegate Re-Roofing - **Appendix 9**
- CR96 West Shore Coastal Defence - **Appendix 10**
- CR101 CHP Electrical Installation Works 2015-19 - **Appendix 11**
- CR102 CHP Bathroom Installation Works 2015-19 - **Appendix 12**
- CR103 CHP Central Heating Refurbishment Works 2015-19 - **Appendix 13**
- CR104 CHP Kitchen Installation Works 2015-19 - **Appendix 14**

- CR105 CHP Painting & Pre-Painting Repair Works 2015-19 - **Appendix 15**
- CR106 CHP Window & Door Installation Works 2015-19 - **Appendix 16**
- CR109 CHP Roofing & Associated Ancillary Works 2015-19 - **Appendix 17**

These reports will be presented by the Head of Internal Audit.

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

The assurance levels are:

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

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

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

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

The recommendation levels assigned to issues identified are:

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

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

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

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

#### Background Papers

Nil

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-01**  
**INCOME COLLECTION**

## Executive Summary

### Introduction

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

Payment by cash is no longer accepted at the Town Hall, although a number of areas, particularly customer facing services such as car parking machines and leisure, continue to take cash payments for the facilities they provide. Income is still received in the form of cheques, through the post.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to evaluate and test specific internal controls for the collection and receipting of postal income within the Council. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

Key Points
Substantial Assurance
Two Previous Recommendations

Audit work included testing of the operation of key controls.

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which may put some of the system objectives at risk. We have not made any new recommendations however one recommendation from the previous audit, 13-01, dated September 2013, remains outstanding which relates to:

- reviewing the current post opening process; in order to ensure that internal controls are consistently applied (Priority 2).

Internal Audit also reviewed the agreed recommendations made in Audit Report 14-01, dated September 2014. One recommendation has been implemented and one remains outstanding and relates to:

- reviewing the Forum daily reconciliation sheets and ensuring that they are accurately and consistently completed as follows:
  - completion of all sections of the reconciliation sheet;
  - recording unders/overs; and
  - ensuring sheets are arithmetically correct.

### **Management Response**

We have received a constructive management response from the Financial Services Manager, the Admin and Parking Services Manager and the Venue Manager providing an update to the two outstanding previous recommendations.

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-02**  
**HOUSING BENEFITS**

## Executive Summary

### Introduction

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

At the time of the audit review, there were over 5,000 live Housing Benefit claims; most of the total benefit expenditure of around £20 million is met by subsidy from Central Government.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to evaluate and test the internal controls over the Housing Benefits system. The scope and objectives of the audit were discussed and agreed in advance with the Director of Resources and the Liberata Service Team Manager.

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

Key Points
<b>Substantial Assurance</b>
<b>Three important issues</b>
<b>Three previous recommendations</b>

### 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 three Priority 2 recommendations, which relate to Liberata ensuring:

- for new housing benefit claims:
  - housing benefit is only paid when adequate documentary evidence is provided; when adequate documentary evidence is not received with the claim form;
  - a letter asking for more information is issued giving at least one calendar month from the date the claim form was received; and
  - when adequate documentary evidence is received with the claim form, the claim is not incorrectly deemed to have lapsed;
- housing benefit overpayments are promptly identified; and

- there is no undue delay in correcting errors identified by the Client Monitoring Section.

Internal Audit also reviewed the implementation of the four outstanding recommendations from Audit Report 14-02, dated January 2015; one recommendation has been implemented and three recommendations remain outstanding. These relate to Liberata ensuring:

- the volume of work outstanding/assigned to assessors is reduced to a more acceptable limit; (Priority 2)
- claim forms submitted for housing benefit are consistently and accurately date stamped on receipt; (Priority 3) and
- the ATLAS 'interest in benefit' indicator on the DWP's Customer Information System (CIS) is completed to ensure notification of future changes in claimants' state benefits is provided to the Council. (Priority 3)

In addition, Internal Audit reviewed the implementation of the partially outstanding recommendation from Audit Report 12-03, dated September 2013; this recommendation has been implemented.

### **Management Response**

We have received a constructive management response from the Service Team Manager and the Client Manager accepting the three recommendations made.

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-03**  
**COUNCIL TAX**

## Executive Summary

### Introduction

The Authority's Council Tax service is administered by Liberata, using the Northgate iWorld system, as part of a long term contract awarded in 1998. The gross Council Tax liability for 2015/16 is approximately £41m, which relates to 33,428 properties.

In May 2012, the Department for Communities and Local Government outlined the requirements of Localising Support for Council Tax. Billing authorities had to adopt a Council Tax Reduction Scheme to replace the Council Tax Benefit System which ended on 31<sup>st</sup> March 2013. The Council adopted the Government's prescribed default scheme from 1<sup>st</sup> April 2013, which is broadly similar to the previous Council Tax benefits scheme in terms of who receives benefit, when and how. The scheme is required to be set annually and approved by Members, the scheme for 2015/16 was approved on 15<sup>th</sup> October 2014.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to evaluate and test the internal controls over the Council Tax system. The scope and objectives of the audit were discussed and agreed in advance with the Senior Revenues Technician and the Liberata Service Team Leader.

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

<b>Key Points</b>
<b>Substantial Assurance</b>
<b>One minor issue</b>
<b>One Previous Recommendation</b>

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that, while there is a basically sound system, there are weaknesses which put some of the system objectives at risk. We have made one Priority 3 recommendation, which concerns:

- Liberata ensuring claims for Council Tax Support are determined on a timely basis.

Internal Audit reviewed the one recommendation made in the previous audit report 14-03, dated February 2015. The recommendation has been implemented.

In addition, Internal Audit reviewed the one outstanding recommendation made in the previous audit report 13-03, dated April 2014. The recommendation remains outstanding and relates to:

- ensuring that all claims forms are date stamped to evidence the date of receipt.  
(Priority 3)

### **Management Response**

We have received a constructive management response from Scott Wilson, Service Team Manager, accepting the recommendation.

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-04**  
**NATIONAL NON DOMESTIC RATES**

## Executive Summary

### Introduction

The Council's National Non Domestic Rates (NNDR) service is administered by Liberata, using the Northgate iWorld system, as part of a long term contract awarded in 1998. The total rateable value for the 2,285 non-domestic properties in the Borough is around £57m, which produces a gross liability of £28m for the financial year 2015/16.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to review the internal controls over the National Non Domestic Rates system. The scope and objectives of the audit were discussed and agreed in advance with the Senior Revenues Technician.

Key Points
Substantial Assurance
One important issue

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

### Audit Conclusion – *Substantial Assurance*

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

- consider amending the NNDR system in order to prevent the exemption for empty properties, with a rateable value less than £2,600, being applied to properties with a rateable value which exceeds this. In addition, a full check of all exempt properties under this category should be undertaken to ensure all have been correctly categorised.

Internal Audit reviewed the one outstanding recommendation from report 14-04, dated January 2015. The recommendation has been implemented.

### Management Response

We have received a constructive management response from the Senior Revenue Technician accepting the one recommendation that has been made.

### Acknowledgement

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-09**  
**PERFORMANCE MANAGEMENT**

## Executive Summary

### Introduction

In recent months, the Council has improved its performance management arrangements, which are now much more clearly defined and provide a tangible link to corporate aims and service operation.

The Council Plan sets out seventeen objectives which support its four corporate priorities of Housing, Regeneration and Public Realm, Local Economy and Service Delivery. A supporting document, Council Priorities 2015-2016, expands on each of the objectives and identifies actions, outcomes, targets and responsibilities for each. There are 33 detailed targets within the seventeen priority objectives.

For 2015/16, the Council has selected a set of twenty-one service performance indicators which will provide Members with a management overview of the Council's operations.

Performance is measured against both the corporate objectives and the operational service indicators, with monitoring information being reported to the Executive Committee.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to review the high-level internal controls relating to Performance Management. The scope and objectives of the audit were discussed and agreed in advance with the Corporate Support Manager.

Key Points
<b>Substantial Assurance</b>
<b>One important issue</b>
<b>One minor issue</b>
<b>Seven previous recommendations</b>

### Audit Conclusion – *Substantial Assurance*

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

- ensuring that annual targets and officer responsibilities for service performance indicators are formally approved by Members at the start of each financial year.

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

- ensuring that future performance against corporate objectives is reported to Members consistently in accordance with the established frequency for reporting.

Internal Audit also reviewed the seven agreed recommendations made in the previous audit report 14-09, dated January 2015. Two of the recommendations are not due to be completed until 31 March 2016; we observed that the Council has made substantial

progress in both areas. Two further recommendations have been implemented, however three recommendations remain outstanding, relating to:

- clarifying Members' role in the performance management process (Priority 2);
- introducing independent checks of data used to produce performance measures to ensure their integrity (Priority 3); and
- considering providing appropriate training for Members and Managers when the new performance management arrangements are fully embedded (Priority 3).

Finally, we reviewed the four outstanding recommendations made in the previous audit report 12-04, dated May 2013. These outstanding recommendations remain outstanding and concern:

- updating corporate performance management documentation, including the Performance Management Framework (Priority 2);
- producing documented procedures relating to the performance management system, including roles and responsibilities of officers and Members; specifically including those of the Corporate Support Manager (Priority 2);
- revising the 'performance information' held on both its website and intranet to provide up to date indicator data and related guidance within the appropriate sections (Priority 3); and
- considering including within the Authority's annual report, more detailed information relating to the Council's performance; linking to actual performance indicator results and therefore providing a more transparent picture and demonstrating evidence for the key objectives achieved/progress made (Priority 3).

### **Management Response**

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

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-13**  
**PAYROLL**

## Executive Summary

### Introduction

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

The October 2015 monthly payroll involved employee costs of approximately £525,000 with net payments of £336,000 to 275 officers and 35 Councillors.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to evaluate and test the operation of internal controls over the Payroll function. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

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

Key Points
<b>Substantial Assurance</b>
<b>Three important issues</b>
<b>One minor issue</b>

### Audit Conclusion – *Substantial Assurance*

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

- the HR Manager ensuring that written notification from employees is received for all changes to personal data;
- the Financial Services Manager ensuring the monthly "check sheet" is completed and signed each month, to confirm that all the required payroll checks have been satisfactorily completed; and
- the Financial Services Manager:
  - a) ensuring that all expense claims are initialled and dated by a member of the Finance Department confirming a check for completeness and authorisation;
  - b) investigating the apparent underpayment of expenses made to the named individual; and
  - c) considering the introduction of standard forms to be used for mileage claims.

In addition, we have made one Priority 3 recommendation, which concerns the Financial Services Manager ensuring that all Members' expense claims are checked by a member of staff from the Finance Department for completeness and authorisation; and that this check is evidenced.

Internal Audit also reviewed the seven outstanding agreed recommendations made in Audit Report 14-13, dated December 2014. All recommendations had been implemented.

### **Management Response**

We have received a constructive response from the HR Manager and the Financial Services Manager accepting the four recommendations made.

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-18**  
**ACCOUNTS PAYABLE**

## Executive Summary

### Introduction

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

The system currently holds records for 4,030 suppliers; the following payments were made in the period up to 14<sup>th</sup> October 2015:

	Number	Amount (£000)
Suppliers	2,619	11,136
Rent Allowances	1 2,390	6,950
Council Tax & Business Rate Refunds	1,103	597
Housing Rent Refunds	125	43

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to evaluate and test the internal controls over the Accounts Payable system. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

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

#### Key Points

**Substantial Assurance**

**One important issue**

**Two minor issues**

**One previous  
recommendation**

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system of control, there are weaknesses which may put some of the system objectives at risk.

We have made one Priority 2 recommendation which concerns ensuring all supplier invoices are checked against purchase orders and that this check is evidenced.

In addition we have made two Priority 3 recommendations which relate to the Council:

- ensuring all requests to change supplier details are appropriately verified and that these checks are evidenced; and
- considering various measures to counter the risk of invoice/mandate fraud.

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

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

### **Management Response**

We have received a constructive management response from the Financial Services Manager, accepting the recommendations.

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-19**  
**HOUSING RENTS**

## Executive Summary

### Introduction

The Council currently owns and manages 2,650 dwellings and 489 garages. The total stock is relatively stable as Right to Buy sales of homes have declined in recent years. The Housing Department is responsible for the monitoring and maintenance of the Council's Housing Rent Account for these properties.

The annual dwellings rent income for 2015/16 is approximately £10.4m. At 30 September 2015, current tenant arrears were £411,847 (which is an improvement compared to £474,254 at 30 September 2014), equating to 3.6% of rent owed. At the same date, former tenant arrears were £233,206, equivalent to 2.1% of rent owed.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to evaluate and test the internal controls over the Housing Rents system. The scope and objectives of the audit were discussed and agreed in advance with the Business Support Manager.

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

### Audit Conclusion – *Substantial Assurance*

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

- the Business Support Manager ensuring that agreed control checks on Allpay income postings to the Housing rent accounts are performed and recorded consistently.

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

- the Business Support Manager considering possible measures to clear the outstanding unidentified items from the rent suspense account; and
- the Assistant Director - Housing ensuring that performance information, including quarterly rent arrears, is reported promptly to Housing Management Forum and Executive Committee.

Internal Audit also reviewed the four agreed recommendations made in Audit Report 14-19, dated April 2015. Two recommendations have been fully implemented and a further partially implemented recommendation has been replaced by a new

Key Points
<b>Substantial Assurance</b>
<b>One important issue</b>
<b>Two minor issues</b>
<b>One previous recommendation</b>

substantive recommendation within this report. One part of the final recommendation remains outstanding and concerns:

- the Business Support Manager ensuring that gross write offs are reported accurately to the Housing Management Forum.

### **Management Response**

We have received a constructive management response from the Business Support Manager accepting each of the recommendations.

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**

**INTERNAL AUDIT FINAL REPORT CR 93**

**CUMBRIA HOUSING PARTNERS: ROOSEGATE RE-ROOFING**

## Executive Summary

### Introduction

This project relates to the re-roofing and pointing of mixed tenure dwelling houses and flats at the Roosegate Estate located to the south of the town centre.

The contract was awarded as a "call off" from the Procure Plus framework to DLP Services (Northern) Limited, in the sum of £559,655.60.

(It is understood an extension to this contract (Roosegate Phase II) has been undertaken; this audit review only relates to the initial project).

### Audit Objectives

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

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

Key Points
<b>Substantial Assurance</b>
<b>Two important issues</b>

### Audit Conclusion – *Substantial Assurance*

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

We have made two Priority 2 recommendations, which concern:

- the Assistant Director (Housing) ensuring that all exceptions to Contract Standing Orders (including the reason for the exception) are reported to the next meeting of the Executive Committee following the decision, as required by Contract Standing Order paragraph 16; and
- the Asset & Maintenance Manager explaining if the final account/invoice for this contract has been received.

### Management Response

We have received a constructive management response from the Asset & Maintenance Manager, accepting both recommendations.

### Acknowledgement

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

**CONTRACT PARTICULARS**

Contract Title:	Re-Roofing, Roosegate Estate, Barrow
Contract Form:	Procure Plus framework agreement and licence; JCT Minor Works Building Contract 2011 with the contractor completed
Contractor:	DLP Services (Northern) Limited
Engineer:	n/a
Quantity Surveyor:	Richard Coates
Other Consultants	Baker Mallett – CDM Co-ordinator
Tender Sum:	£559,655.60
Contract Sum:	£559,655.60
Date for Possession:	7 July 2014
Date for Completion:	7 November 2014
Date of Practical Completion:	
Extension of Time Granted:	n/a
Delay in Completion:	n/a
Liquidated and Ascertained Damages provision/paid/received:	£300 per week
Minimum Insurance Cover Required & Cover Confirmed	£10m Employers Liability £5m Public Liability
Minimum Bond Required	Not included in JCT contract
Retention Amount	5% to practical completion 2.5% during defects period
Final Contract Valuation:	
Anticipated Final Account Sum:	£470,024.56 plus £26,791.40 fees to Procure Plus
Percentage increase/decrease: Final Valuation against Contract Sum	-9.6%

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR 96**  
**WEST SHORE COASTAL DEFENCE**

## Executive Summary

### Introduction

This contract relates to part of the Walney Island Coastal Management Strategy and consists of the building of a coastal erosion defence to protect the coastline in front of the West Shore leisure park.

Tenders were invited from five contractors selected from the Environment Agency's Framework Agreement. Following evaluation, the contract was awarded to BAM Nuttall in the sum of £189,190.

Capita Symonds were employed to provide specialist coastal engineering services and project manage the work.

Total payments made to the contractor to date are £180,612. Since the total value of the work exceeded £100,000 the project was reviewed against the Council's Contract Standing Orders.

### Audit Objectives

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

The audit objectives were to perform an examination of the procurement method, selection of suppliers and provision of goods and services.

Key Points
<b>Restricted Assurance</b>
<b>One major issue</b>
<b>Nine important issues</b>
<b>One minor issue</b>

### Audit Conclusion – *Restricted Assurance*

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

We have made one Priority 1 recommendation which relates to the Property Services Group Manager carrying out the following:

- investigating the inconsistency between the tender sum and the contract sum for this contract;
- identify any residual risk or liability for the Council;
- ensuring that the tenders for future schemes are reported accurately to Members;
- ensuring that future contracts accurately reflect the underlying tender.

We have also made nine Priority 2 recommendations, which relate to the Property Services Group Manager

- ascertaining whether any additional information is available to provide full documentation of the management of this contract;
- establishing whether an extension of time was requested by, and allowed to, the Contractor for the project;
- ensuring that, for future contracts, formal documentation is certified by the responsible Project Manager;
- considering the requirement within Contract Standing Orders for a project review report to be completed when a contract reaches practical completion;
- confirming whether the decision taken at the pre-site meeting to alter the payment terms for the works represents a valid variation to the contract;
- confirming whether a properly authorised certificate was issued for the payment made under this contract;
- ensuring that:
  - the works are inspected periodically during the defects period and the contractor recalled to correct any identified defects;
  - a final certificate is issued after the end of the defects period;
- explaining why no retention was made at the end of the construction period for the contract; and
- confirming whether contract meetings took place during the duration of the project.

In addition, we have made one Priority 3 recommendation which concerns the Property Services Group Manager ascertaining whether the Contractor has agreed that its invoice already paid by the Council represents the final sum due under the contract.

### **Management Response**

Internal Audit have received a constructive response from the Property Services Group Manager accepting all the recommendations.

### **Acknowledgement**

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

**CONTRACT PARTICULARS**

Contract Title:	West Shore Coastal Defence, Walney, Barrow
Contract Form:	NEC3 Engineering & Construction Contract June 2016 and September 2011
Contractor:	BAM Nuttall Limited
Engineer:	Mark Ellis (Capita Symonds)
Quantity Surveyor:	n/a
Other Consultants	Baker Mallett – CDM Co-ordinator
Tender Sum:	£180,612.00
Contract Sum:	£189,190.00
Date for Possession:	1 August 2014
Date for Completion:	17 <sup>th</sup> October 2014
Date of Practical Completion:	6 <sup>th</sup> November 2014
Extension of Time Granted:	n/a
Delay in Completion:	n/a
Liquidated and Ascertained Damages provision/paid/received:	Not required
Minimum Insurance Cover Required & Cover Confirmed	£75m Employers Liability £2m Public Liability
Minimum Bond Required	Not required
Retention Amount	5%
Final Contract Valuation:	£180,612
Anticipated Final Account Sum:	£189,190
Percentage increase/decrease: Final Valuation against Contract Sum	-4.5%

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR101**  
**CHP: ELECTRICAL INSTALLATION WORKS (2015-2019)**

## Executive Summary

### Introduction

This project forms part of the Council's Housing Stock Planned Investment Works over the next four years.

The contract was awarded as a "call off" from the Procure Plus framework to Keith Wilson Electrical Contractors Limited; with budgeted expenditure of £385,000 per annum.

### Audit Objectives

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

The audit objectives were to perform an examination of the pre tender and contract award and associated documentation.

Key Points
<b>Substantial Assurance</b>
<b>One minor issue</b>

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there appears to be a basically sound system of control, a weakness has been identified, which may put the system objectives at risk.

We have made one Priority 3 recommendation, which concerns the Asset & Maintenance Manager ensuring that any consultants employed are specifically informed of their obligation to comply with the Council's Contract Standing Orders and Financial Regulations; and that official purchase orders are issued for any fees.

### Management Response

We have received a constructive management response from the Asset & Maintenance Manager, accepting the recommendation.

### Acknowledgement

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

**BARROW BOROUGH COUNCIL**

**INTERNAL AUDIT FINAL REPORT CR102**

**CHP: BATHROOM INSTALLATION WORKS (2015-2019)**

## **Executive Summary**

### **Introduction**

This project forms part of the Council's Housing Stock Planned Investment Works over the next four years.

The contract was awarded following a "mini competition" from the Procure Plus framework to AB Mitchell Developments Limited; with budgeted expenditure of £180,000 per annum.

### **Audit Objectives**

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

The audit objectives were to perform an examination of the pre tender and contract award and associated documentation.

<b>Key Points</b>
<b>Substantial Assurance</b>
<b>One minor issue</b>

### **Audit Conclusion – Substantial Assurance**

As a result of the audit we have concluded that while there appears to be a basically sound system of control, a weakness has been identified, which may put the system objectives at risk.

We have made one Priority 3 recommendation, which concerns the Asset & Maintenance Manager ensuring that any consultants employed are specifically informed of their obligation to comply with the Council's Contract Standing Orders and Financial Regulations; and that official purchase orders are issued for any fees.

### **Management Response**

We have received a constructive management response from the Asset & Maintenance Manager, accepting the recommendation.

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR103**

**CHP: CENTRAL HEATING REFURBISHMENT WORKS (2015-2019)**

## Executive Summary

### Introduction

This project forms part of the Council's Housing Stock Planned Investment Works over the next four years.

The contract was awarded following a "mini competition" from the Procure Plus framework to AB Mitchell Developments Limited; with budgeted expenditure of £455,000 per annum.

### Audit Objectives

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

The audit objectives were to perform an examination of the pre tender and contract award and associated documentation.

Key Points
<b>Substantial Assurance</b>
One minor issue

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there appears to be a basically sound system of control, a weakness has been identified, which may put the system objectives at risk.

We have made one Priority 3 recommendation, which concerns the Asset & Maintenance Manager ensuring that any consultants employed are specifically informed of their obligation to comply with the Council's Contract Standing Orders and Financial Regulations; and that official purchase orders are issued for any fees.

### Management Response

We have received a constructive management response from the Asset & Maintenance Manager, accepting the recommendation.

### Acknowledgement

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR104**  
**CHP: KITCHEN INSTALLATION WORKS (2015-2019)**

## Executive Summary

### Introduction

This project forms part of the Council's Housing Stock Planned Investment Works over the next four years.

The contract was awarded following a "mini competition" from the Procure Plus framework to AB Mitchell Developments Limited; with budgeted expenditure of £125,000 per annum.

### Audit Objectives

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

The audit objectives were to perform an examination of the pre tender and contract award and associated documentation.

Key Points
Substantial Assurance
One minor issue

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there appears to be a basically sound system of control, a weakness has been identified, which may put the system objectives at risk.

We have made one Priority 3 recommendation, which concerns the Asset & Maintenance Manager ensuring that any consultants employed are specifically informed of their obligation to comply with the Council's Contract Standing Orders and Financial Regulations; and that official purchase orders are issued for any fees.

### Management Response

We have received a constructive management response from the Asset & Maintenance Manager, accepting the recommendation.

### Acknowledgement

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

**BARROW BOROUGH COUNCIL**

**INTERNAL AUDIT FINAL REPORT CR105**

**CHP: PAINTING & PRE-PAINTING REPAIR WORKS (2015-2019)**

## **Executive Summary**

### **Introduction**

This project forms part of the Council's Housing Stock Planned Investment Works over the next four years.

The contract was awarded as a "call off" from the Procure Plus framework to George Jones & Son (Contractors) Limited; with budgeted expenditure of £250,000 per annum.

### **Audit Objectives**

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

The audit objectives were to perform an examination of the pre tender and contract award and associated documentation.

<b>Key Points</b>
<b>Substantial Assurance</b>
<b>One minor issue</b>

### **Audit Conclusion – Substantial Assurance**

As a result of the audit we have concluded that while there appears to be a basically sound system of control, a weakness has been identified, which may put the system objectives at risk.

We have made one Priority 3 recommendation, which concerns the Asset & Maintenance Manager ensuring that any consultants employed are specifically informed of their obligation to comply with the Council's Contract Standing Orders and Financial Regulations; and that official purchase orders are issued for any fees.

### **Management Response**

We have received a constructive management response from the Asset & Maintenance Manager, accepting the recommendation.

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR106**

**CHP: WINDOW & DOOR INSTALLATION WORKS (2015-2019)**

## Executive Summary

### Introduction

This project forms part of the Council's Housing Stock Planned Investment Works over the next four years.

The contract was awarded as a "call off" from the Procure Plus framework to Top Notch Contractors Limited; with budgeted expenditure of £500,000 per annum.

### Audit Objectives

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

The audit objectives were to perform an examination of the pre tender and contract award and associated documentation.

Key Points
Substantial Assurance
Two minor issues

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there appears to be a basically sound system of control, a weakness has been identified, which may put the system objectives at risk.

We have made two Priority 3 recommendations which concern the Asset & Maintenance Manager ensuring:

- any consultants employed are specifically informed of their obligation to comply with the Council's Contract Standing Orders and Financial Regulations; and that official purchase orders are issued for any fees; and
- the Contract Management Checklist is fully and accurately completed prior to submission for audit.

### Management Response

We have received a constructive management response from the Asset & Maintenance Manager, accepting both recommendations.

### Acknowledgement

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR109**  
**CHP: ROOFING & ASSOCIATED ANCILLARY WORKS (2015-2019)**

## Executive Summary

### Introduction

This project forms part of the Council's Housing Stock Planned Investment Works over the next four years.

The contract was awarded as a "call off" from the Procure Plus framework to DLP Services (Northern) Limited; with budgeted expenditure of £975,000 per annum.

### Audit Objectives

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

The audit objectives were to perform an examination of the pre tender and contract award and associated documentation.

Key Points
<b>Substantial Assurance</b>
Two minor issues

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there appears to be a basically sound system of control, a weakness has been identified, which may put the system objectives at risk.

We have made two Priority 3 recommendations which concern the Asset & Maintenance Manager ensuring:

- any consultants employed are specifically informed of their obligation to comply with the Council's Contract Standing Orders and Financial Regulations; and that official purchase orders are issued for any fees; and
- the Contract Management Checklist is accurately completed prior to submission for audit.

### Management Response

We have received a constructive management response from the Asset & Maintenance Manager, accepting both recommendations.

### Acknowledgement

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

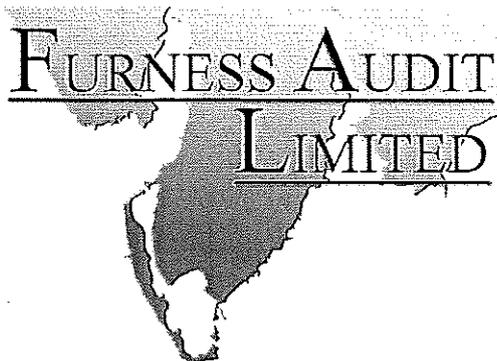
<b>AUDIT COMMITTEE</b>	<u>Part One</u> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>8</b>
<b>Date of Meeting: 3rd March, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Internal Audit Progress Report</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Internal Audit Progress Report has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the Internal Audit Progress report and raise any questions.</p>	

### **Report**

The Internal Audit Progress Report for the period 1st April, 2015 to 2nd March, 2016 is attached at **Appendix 18** and will be presented to Members by the Head of Internal Audit

### **Background Papers**

Nil



*BARROW BOROUGH COUNCIL*

**INTERNAL AUDIT PROGRESS REPORT**

**April 2015 to March 2016**

**2015/16**

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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 2<sup>nd</sup> March 2016, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

## Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1<sup>st</sup> April 2015 and 2<sup>nd</sup> March 2016. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

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

3. *Rejected Recommendations*

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

4. *Audit Coverage*

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

5. *Classifications of Assurance and Recommendations*

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

## 1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we have made in our final reports issued up to 2<sup>nd</sup> March 2016; analysed by their priority, including whether accepted by management.

<b>Recommendations</b>	<b>Total</b>	<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
Made	81	7	49	25
Fully Accepted	77	7	46	24
Partly Accepted	4	-	3	1
Not Accepted	0	-	-	-

## 2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

There has been one Priority One recommendation since the previous Audit Committee, which relates to the following:

<b>Audit Report</b>	<b>CR96 West Shore Coastal Defence</b>
<b>Recommendation</b>	<p>The Property Services Group Manager should:</p> <ol style="list-style-type: none"> <li>a) investigate the inconsistency between the tender sum and the contract sum for this contract;</li> <li>b) identify any residual risk or liability for the Council;</li> <li>c) ensure that the tenders for future schemes are reported accurately to Members; and</li> <li>d) ensure that future contracts accurately reflect the underlying tender.</li> </ol>
<b>Rationale</b>	<p>Internal Audit identified inconsistencies in the analysis and total value of tendered items, the reported tender and the contract sum for this project. These are as follows:</p> <ul style="list-style-type: none"> <li>• The itemised cost breakdown in the tender totals £189,190.00.</li> <li>• The tendered total is stated by the contractor as £180,612.00. (This total is cross-referenced to a "Section 10.2", which is not present in the tender.)</li> <li>• The total of £180,612.00 matches the tender recorded in the opening register.</li> <li>• The tender document also includes a "tender assessment sheet (financial)" which the contractor has completed for the purpose of assessing tenders. This quotes the tendered total of £180,612.00 but increases this figure to £199,164.93 for comparison purposes.</li> <li>• This assessment figure was used in evaluating the two returned tenders for the project.</li> <li>• When reported to Executive Committee on 30 July 2014, the submission was referred to as a "quote" and then a "tender" of £199,164.93.</li> <li>• Finally, the signed contract is in the sum of £189,190.</li> </ul> <p>This was a straightforward contract with a short timescale where no variations were expected. Any variations to individual elements of the works would have been difficult to quantify in the absence of a consistent analysis of the tender sum.</p>

<p><b>Rationale</b></p>	<p>Although the apparent mis-statement in the Committee report would not affect the choice of contractor, it lacks clarity and transparency.</p> <p>As the signed contract sum is higher than the Contractor's tender, the Council could potentially be in a position where there is a risk of it being contractually obliged to pay the company £189,190.00 for works which it was prepared to carry out for £180,612.00.</p>
<p><b>Response</b></p>	<p>I am unable to identify all of the reasons that the different figures were referred to on different occasions. The final total invoiced was £180,612.00, which is the figure understood to be correct by all parties. I do not consider that there is any residual risk to the Council, or any realistic prospect of the contractor coming back for an additional payment. I accept that the position is confusing and that the correct figures should be reported in future.</p> <p>The Capita Project Manager has advised me that the contractor made a couple of typos in his submission when transposing the figures from section 10 to section 7. The actual tendered total of prices is that recorded in Contract Data Part 2 (section 7) and thus that was what he was paid. The signed form of tender and agreement should have stated the £180,612.00 sum.</p>

### **3. REJECTED RECOMMENDATIONS**

#### **3.1 PRIORITY ONE RECOMMENDATIONS**

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

#### **3.2 PRIORITY TWO RECOMMENDATIONS**

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

#### 4. INTERNAL AUDIT COVERAGE:

APRIL 2015 – March 2016

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>ANNUAL AUDITS</b>			
15-01	Income Collection	1	Final	Substantial
15-02	Housing Benefits	1	Final	Substantial
15-03	Council Tax & Council Tax Support	1	Final	Substantial
15-04	Business Rates (NNDR)	1	Final	Substantial
15-05	Risk Management	1		
15-06	Cash Floats/Receipting Controls		Final	Substantial
15-08	Fraud & Corruption Survey		Complete	N/a
15-09	Performance Management	2	Final	Substantial
15-10	Budgetary Control	1	Final	Unqualified
15-11	Treasury Management	2	Final	Unqualified
15-12	Car Park Meter Income	2	Final	Substantial
15-13	Payroll (inc. Expenses)	2	Final	Substantial
15-14	Accounts Receivable	2	Ongoing	
15-15	Corporate Control/Governance	2		
15-16	Main Accounting System and Periodic Controls	2	Q3 Ongoing	N/a
15-17	Procurement (inc. Ordering)	2	Final	Restricted
15-18	Accounts Payable	2	Final	Substantial
15-19	Housing Rents	2	Final	Substantial
15-20	Standing Orders/Financial Regs/Council Plans & Policies	2	Complete	N/a
15-21	Housing Maintenance (Day to Day Repairs)	2	Replaced with contract audit	
15-22	NFI		Complete	N/a
15-24	Licence Fee Review		Complete	N/a
15-25	Benefit Certification		Complete	N/a

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT</b>			
-	Hawcoat		Complete	
-	Abbotsvale		Complete	
-	Dalton Community Association		Complete	
-	Barrow Playing Fields Users Association 2013-14		Complete	
15-23	Mayor's Account		Complete	
15-26	Furness Maritime Trust		Complete	
	<b>IT ENVIRONMENT AUDITS</b>			
IT58	Mobile Computing	1	Final	Substantial
IT59	IT Implementation Review	1	Complete	N/a
IT60	Disaster Recovery	1	Ongoing	
	<b>CONTRACT AUDIT</b>			
CR80	Roa Island Jetty		Stage 3 review complete	
CR84	Barrow Cemetery NW Extension		Stage 4 review complete	
CR86	Town Hall Roof		Stage 4 review complete	
CR90	Re-Roofing Units 9 & 10 James Freel Close		Stage 4 review complete	
CR91	Rawlinson Street Corridor		Stage 1 review complete	
CR93	2014/17 CHP Roosegate Roofing		Final	Substantial
CR94	2014 CHP Devonshire Road Improvements		Commenced	
CR95	Town Hall Ground Floor Improvements		Stage 3 review complete	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
CR96	West Shore Coastal Defences		Final	Restricted
CR97	Maritime Streets Landscaping Design		Stage 3 review complete	
CR99	Housing stock condition survey		Stage 2 review complete	
CR101	CHP Electrical Contract		Final	Substantial
CR102	CHP Bathroom improvements		Final	Substantial
CR103	CHP Heating improvements		Final	Substantial
CR104	CHP Kitchen improvements		Final	Substantial
CR105	CHP Painting Contract		Final	Substantial
CR106	CHP Windows and Doors		Final	Substantial
CR107	High level electrical repairs & festive lighting		Stage 1 review complete	
CR108	Electrical reactive repairs & maintenance		Stage 1 review complete	
CR109	Roofing and Ancillary Works		Final	Substantial
CR110	Housing Maintenance Responsive Repairs		Stage 1 review commenced	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
CR111	Housing Management System		Stage 1 review complete	
CR112	Housing Maintenance Gas Service Contract		Stage 1 review commenced	
<b>15-07</b>	<b>IMPLEMENTATION REVIEW</b>			
14-01	Income Collection (The Forum)		Complete	
09-23	Asset Management			
11-23	Leisure Centre			
11-28	Grounds Maintenance			
11-25	Insurance			
14-30	Dog Kennels			
IT49	Code of Connection		Complete	
IT51	Information Security Policy		Complete	
IT52	Infrastructure Management		Complete	
IT55	IT Infrastructure Library		Complete	
IT57	General Controls		Complete	

### Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2015/16 (April – February)	42	0	5	<b>47</b>
2014/15 (Full year)	71	0	4	<b>75</b>

## 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.

### 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.

## 6. PERFORMANCE

The Public Sector Internal Audit Standards (PSIAs) require Internal Audit to be measured in terms of performance. The indicators below provide information over the arrangements and effectiveness of Internal Audit.

Indicator		2015/16
1	Percentage of Draft reports issued within 10 working days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	78%
3	Percentage of Final reports issued within 10 working days of receipt of management response.	100%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

### Draft Reports issued

Ref	Audit	Date issued

## APPENDIX 1 – RESTRICTED ASSURANCE AUDITS

Ref	Audit	Recommendations			Previous Recommendations			Total	Date Issued
		P1	P2	P3	P1	P2	P3		
14-30	Dog Kennels	2	4	1		n/a		7	5 <sup>th</sup> June 2015
15-17	Procurement	3	5	0		n/a		8	10 <sup>th</sup> September 2015
CR96	West Shore Coastal Defence	1	9	1		n/a		11	24 <sup>th</sup> December 2015

<b>AUDIT COMMITTEE</b>	<b>Part One (D) Agenda Item 9</b>
<b>Date of Meeting: 3rd March, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Internal Audit Annual Plan</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Internal Audit Annual Plan for 2016-2017 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> <li>1. Receive and consider the Internal Audit Annual Plan for 2016-2017; and</li> <li>2. Raise any questions or concerns with the Head of Internal Audit.</li> </ol>	

**Report**

The Internal Audit Annual Plan for 2016-2017 is attached at **Appendix 19** and will be presented to Members by the Head of Internal Audit.

**Background Papers**

Nil

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT ANNUAL PLAN 2016/17**

<b>Audit</b>	<b>Significance Band</b>	<b>Division</b>	<b>Days</b>
Contract Audit	1	All Divisions	30
Contract Management Checklist Stage Reviews	1	All Divisions	70
Risk Management	1	Corporate Support	8
Budgetary Control	1	Finance	9
Income Collection	1	Finance	15
Main Accounting System & Periodic Controls	1	Finance	30
Business Rates (NNDR)	1	Revenues & Benefits	10
Council Tax & Council Tax Support	1	Revenues & Benefits	22
Housing Benefits	1	Revenues & Benefits	18
Procurement (inc. Ordering)	2	All Divisions	16
Car Park Meter Income	2	Community Services	10
Corporate Control/Governance	2	Corporate Support	5
Performance Management	2	Corporate Support	6
Standing Orders/Financial Regulations/Anti-Fraud/Other Policies & Procedures	2	Resources Directorate	8
Accounts Payable	2	Finance	12
Accounts Receivable	2	Finance	12
Treasury Management	2	Finance	7
Payroll (inc Expenses)	2	Finance & HR	15
Housing Maintenance (Day to day repairs)	2	Housing	20
Housing Rents - System Review	2	Housing	10
Housing Rents - Migration/Parallel Running	2	Housing	10
<b>IT AUDIT</b>			
Disaster Recovery	1		25
Use of Mobile Devices	1		
IT Implementation Review	1		
Audits identified by their significance rating or agreed with Senior Management to ensure adequate coverage of the Council's internal controls.	3, 4 & 5	All Divisions	30
<b>DESIGNATED ANNUAL AUDIT ACTIVITY</b>			
Cash Floats/Recepting Controls	-		10
Community Organisations (inc. Mayor's Account)	-		15
Financial/Account Reviews	-		15
Fraud Hotline	-		10
Funding Checks/Grant Claims	-		6
Implementation Review	-		12
NFI Responsibilities	-		20
Probity	-		8
<b>AUDIT MANAGEMENT</b>			
Audit Administration	-		12
Audit Committee	-		6
Audit Management/Planning/Reporting	-		15
External Audit Liaison	-		3
<b>TOTAL AUDIT DAYS</b>			<b>530</b>

<b>AUDIT COMMITTEE</b>	<u>Part One</u> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>10</b>
<b>Date of Meeting: 3rd March, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: External Audit - Committee Update</b></p> <p><b>Summary and Conclusions:</b></p> <p>An Audit Committee Update regarding current issues and developments has been produced by the External Auditors. The External Auditors will present the report to Members.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the External Auditors report and raise any questions.</p>	

### Report

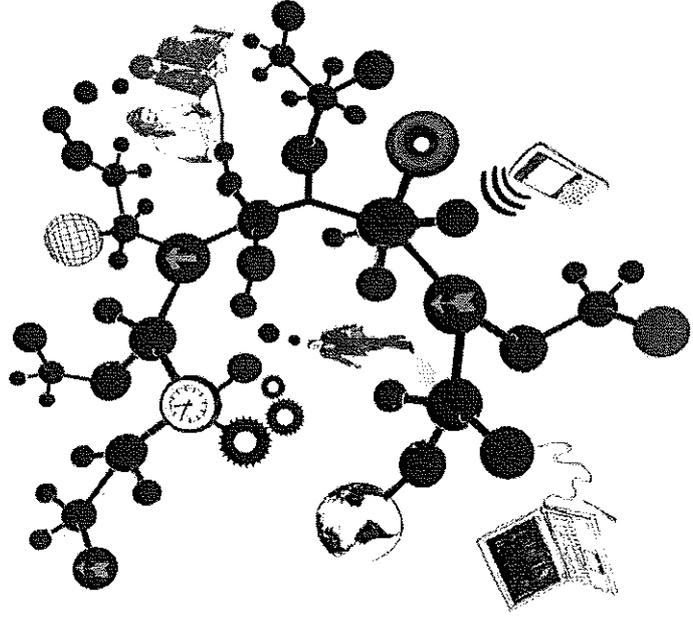
The External Auditors have produced an Audit Committee Update for Members, regarding current issues and developments. The report is attached at **Appendix 20** and will be presented to Members by the External Auditors.

### Background Papers

Nil

# Audit Committee Update Barrow in Furness Borough Council

Year ended 31 March 2016  
March 2016



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

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## Introduction

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

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

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Making devolution work: A practical guide for local leaders
- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Knowing the ropes: Audit Committee effectiveness review
- Reforging local Government: financial health and governance review 2015

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

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# Progress at 16<sup>th</sup> February 2016

Work	Planned date	Complete?	Comments
<p><b>2015-16 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.</p>	March 2016	Yes	The audit plan is included on the agenda for this meeting.
<p><b>Interim accounts audit</b> Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	March 2016	No	We have largely completed our interim audit. We will be undertaking some further work to update our review of the Council's control environment in March.
<p><b>2015-16 final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	July/ August 2016	No	We are currently finalising with the finance team the dates for our final accounts audit.

## Progress at 16<sup>th</sup> February 2016

Work	Planned date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work to inform the 2015/16 VfM conclusion has recently been subject to consultation from the National Audit Office. The audit guidance on the auditor's work on value for money arrangements was published on 9 November 2015.</p> <p>Auditors are required to reach their statutory conclusion on arrangements to secure VfM based on the following overall evaluation criterion: <i>In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</i></p> <p>To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties.</li> </ul> <p>We will be required to provide a conclusion that in all significant respects the Council has (or has not) put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>	<p>May - August 2016</p>	<p>No</p>	<p>We have completed our initial risk assessment as part of our audit planning process. This is reported as part of the Audit Plan which is included on today's agenda. We will complete our detailed VfM work alongside our work on the financial statements.</p>

## Progress at 16<sup>th</sup> February 2016

Work	Planned date	Complete?	Comments
<b>Certification Work</b> We will undertake certification work on the Council's Housing Benefit claim.	May-October 2016	No	Our work in this area will commence on receipt of the unaudited return from the Council.

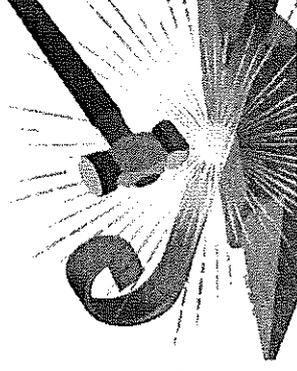
# Reforing local government: Summary findings of financial health checks and governance reviews

## Grant Thornton market insight

The recent autumn statement represents the biggest change in local government finance in 35 years. The Chancellor announced that in 2019/20 councils will spend the same in cash terms as they do today and that "better financial management and further efficiency" will be required to achieve the projected 29% savings. Based on our latest review of financial resilience at English local authorities, this presents a serious challenge to many councils that have already become lean. Our research suggests that:

- the majority of councils will continue to weather the financial storm, but to do so will now require difficult decisions to be made about services
- most councils project significant funding gaps over the next three to five years, but the lack of detailed plans to address these deficits in the medium-term represents a key risk
- Whitehall needs to go further and faster in allowing localities to drive growth and public service reform including proper fiscal devolution that supports businesses and communities
- local government needs a deeper understanding of their local partners to deliver the transformational changes that are needed and do more to break down silos
- elected members have an increasingly important role in ensuring good governance is not just about compliance with regulations, but also about effective management of change and risk
- councils need to improve the level of consultation with the public when prioritising services and make sure that their views help shape council development plans.

Our report is available at <http://www.granthornton.co.uk/en/insights/reforging-local-government/>, or in hard copy from your Engagement Lead or Engagement Manager.



# CFO Insights— driving performance improvement

## Grant Thornton and CIPFA Market insight

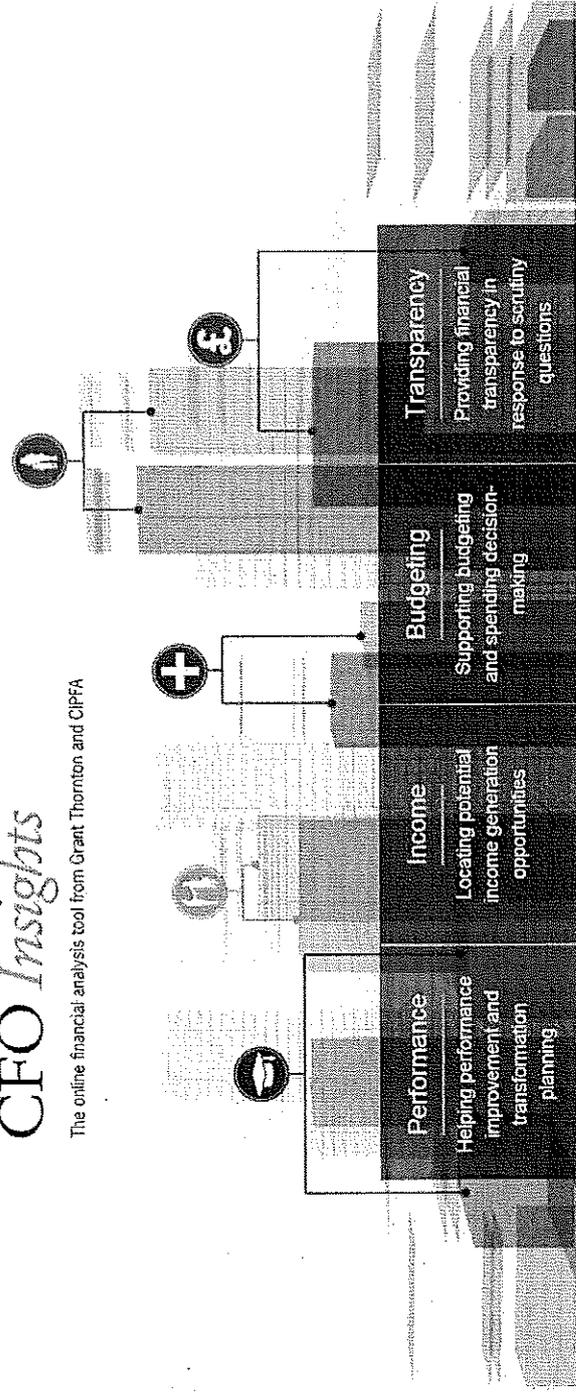
CFO insights is an online analysis tool that gives those aspiring to improve the financial position of their local authority instant access to insight on the financial performance, socio- economy context and service outcomes of every council in England, Scotland and Wales.

The tool provides a three-dimensional lens through which to understand council income and spend by category, the outcomes for that spend and the socio-economic context within which a council operates. This enables comparison against others, not only nationally, but in the context of their geographical and statistical neighbours. CFO Insights is an invaluable tool providing focused insight to develop, and the evidence to support, financial decisions.

We are happy to organise a demonstration of the tool if you want to know more.

## CFO Insights

The online financial analysis tool from Grant Thornton and CIPFA



# Local Government Issues

## Audit Panels

In December 2015 the Chartered Institute of Public Finance and Accountancy (CIPFA) published its guidance on the establishment of auditor panels.

Under the Local Audit and Accountability Act 2014 'relevant authorities' are able to appoint their own local auditors via an auditor panel. The Secretary of State for Communities and Local Government has decided to implement a phased introduction of the new local audit framework, with all health bodies and smaller local government bodies moving to the new framework as planned on 1<sup>st</sup> April 2017 and larger local government bodies a year later, on 1<sup>st</sup> April 2018. In practice, this means that smaller local authorities must have appointed their local auditors by 31<sup>st</sup> December 2016 and larger principal authorities by 31<sup>st</sup> December 2017.

The guidance sets out the options available to local authorities in England for establishing an auditor panel; what form such a panel can take; the operation and functions of the panel; and the main task of the panel – that is, advising the authority in connection with the appointment of the local auditor

## Council accounts: a guide to your rights

The NAO has published an updated version of Council accounts: a guide to your rights on its website. The guide has been updated to reflect the new requirements of the Local Audit and Accountability Act 2014, and applies to 2015-16 accounts. The document provides information on how people can ask questions and raise objections about the accounts of their local authority.

<https://www.nao.org.uk/code-audit-practice/council-accounts-a-guide-to-your-rights/>

## Arrangements for the exercise of public rights:

The Accounts and Audit Regulations 2015 set out new arrangements for the exercise of public rights from 2015/16 onwards. A key implication of the Act is that the final approval of the statement of the accounts by an authority prior to publication cannot take place *until after the conclusion of the period for the exercise of public rights*. As the thirty working day period for the exercise of public rights must include the first ten working days of July, authorities will not be able to approve their audited accounts or publish before 15<sup>th</sup> July 2016.

Smaller authorities must also wait until the conclusion of the thirty working day period for the exercise of public rights before publishing their accounts and the auditor's report.

# Results of auditors' work 2014/15

## Public Sector Audit Appointments

Following the closure of the Audit Commission on 31<sup>st</sup> March 2015, Public Sector Audit Appointments (PSAA) became responsible for appointing auditors to local Government bodies and for overseeing the delivery of consistent, high-quality and effective external audit services. The Audit Commission previously published Auditing the Accounts reports for Local Government bodies covering the 2012/13 and 2013/14 financial years. The reports summarised the results of the work of auditors appointed by the Commission at local bodies. This is the first such report published by PSAA, and it summarises the results of auditors' work at 509 principle bodies and 9,755 small bodies. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors utilised their statutory reporting powers.

The timeliness and quality of financial reporting for 2014/15 remained broadly consistent with the previous year for both principal and small bodies, according to Public Sector Audit Appointments Limited's *Report on the results of auditors' work 2014/15: Local government bodies*.

- for principal bodies, auditors at 345 of 356 councils (97 per cent) were able to issue the opinion on the accounts by the statutory accounts publication date of 30<sup>th</sup> September 2015.
- 97 per cent of police bodies and fire and rescue authorities also received the audit opinion by 30<sup>th</sup> September 2015.
- for the second year in a row there have been no qualified opinions issued to date to principal bodies.
- the number of qualified conclusions on value for money arrangements has remained consistent with the previous year at 4 per cent (17 councils, one police body and one fire and rescue authority).

# IFRS 13 'Fair value measurement'

## Accounting and audit issues

The 2015/16 Accounting Code applies IFRS 13 'Fair Value Measurement' for the first time. The standard sets out in a single framework for measuring fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability (exit price) in an orderly transaction between market participants at the measurement date.

There is no public sector adaptation to IFRS13 but the Treasury and therefore the Code has adapted IAS 16 Property, Plant and Equipment so that operational assets (providing service potential) are no longer held at fair value but current value. As such IFRS 13 does not apply to operational assets. This new definition of current value means that the measurement requirements for operational property, plant and equipment providing service potential have not changed from the prior year.

However, surplus assets will need to be measured under the new definition of fair value, reflecting the highest and best use from the market participant perspective.

Other areas affected by the new standard include investment property, available for sale financial assets and those items where fair values are disclosed - for example, long term loans and PFI liabilities. IFRS 13 also introduces extensive disclosure requirements.

Local authorities need to:

- identify/ review their classification of surplus assets and investment properties
- discuss IFRS 13 with their property valuers and treasury advisers to ensure that fair values provided are produced in line with the new standard
- update accounting policies and disclosures to reflect the new standard.

## Challenge question

- Has your Director of Resources reviewed Property, Plant and Equipment assets in the Council's Balance Sheet to ensure these assets are correctly classified?
- Has your Director of Resources ensured property valuers and treasury advisers are aware of the fair value definitions under IFRS 13?
- Have the accounting policies and disclosures in your accounts been updated to reflect the IFRS 13 requirements?

# Highways Network Assets

## Accounting and audit issues

CIPFA announced at the recent Local Government Accounting Conferences some key messages with regards to changes in accounting for the Highways Network Asset form 2016/17. These included:

- Transport Infrastructure Assets will now be referred to as single asset, the Highways Network Asset (HNA)
- this will be measured at Depreciated Replacement Cost (DRC) using the Modern Equivalent Asset (MEA) basis of valuation from 1 April 2016 and will be applied prospectively rather than requiring a full retrospective restatement
- the new requirements only apply to authorities with assets meeting the definition of a single HNA asset

CIPFA expects that the transport infrastructure assets held by district councils/ non-highways authorities will be scoped out of the new requirements as assets are unlikely to form a single interconnected network. However, district councils will need to consider the nature of their transport infrastructure assets to assure themselves and evidence that their transport infrastructure assets are not part of an interconnected network.

The 2016/17 Accounting Code which will include further details on these announcements is expected to be published in Spring 2016. Grant Thornton has produced a short briefing on these announcements which we have shared with your Director of Resources. We will provide further briefings as further details become available.

## Challenge question

- Is your authority aware of the recent announcements?
- Has the Director of Resources considered whether your authority is within the scope of the 2016/17 accounting requirements for HNA?
- Where relevant, does your authority have an Implementation Plan to meet the revised timetable?
- Has the Audit Committee been briefed on progress against the plan?

# Website re-launch

## Grant Thornton

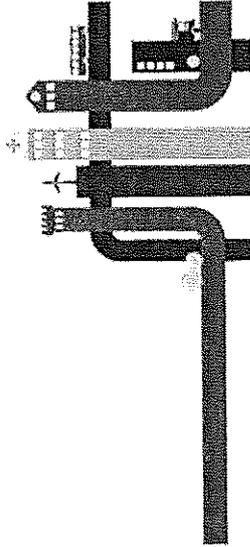
We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below -

<http://www.grantthornton.co.uk/en/insights/?tags=local-gov&q=sustainable+communities>

Public sector

### Innovation in public financial management



Local government

### Local government webinar - Building a successful local authority

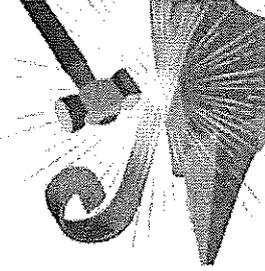
> Read more



Local government

### Reforging local government

> Read more



Local government

### How Shropshire Council delivers services using an LATIC

> Read more



Vibrant places

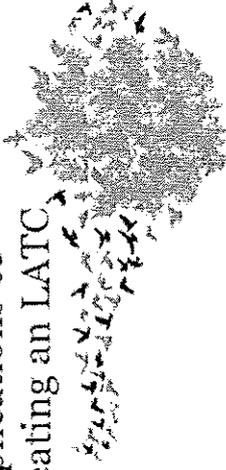
### Growing healthy communities: Health and Wellbeing Index

> Read more



Local government

### Understanding the tax implications of creating an LATIC





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<b>AUDIT COMMITTEE</b>		<u>Part One</u> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>11</b>
<b>Date of Meeting: 3rd March, 2016</b>		
<b>Reporting Officer: Director of Resources</b>		
<p><b>Title: External Audit Annual Plan</b></p> <p><b>Summary and Conclusions:</b></p> <p>This report includes the External Audit Plan for the year ended 31st March, 2016. The External Auditors will present the Plan to Members.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> <li>1. Receive and consider the External Audit Plan for the year ended 31st March, 2016; and</li> <li>2. Raise any questions or concerns with the External Auditors.</li> </ol>		

**Report**

The External Audit Plan for the year ended 31st March, 2016 is attached at **Appendix 21** and will be presented to members by the External Auditors.

**Background Papers**

Nil



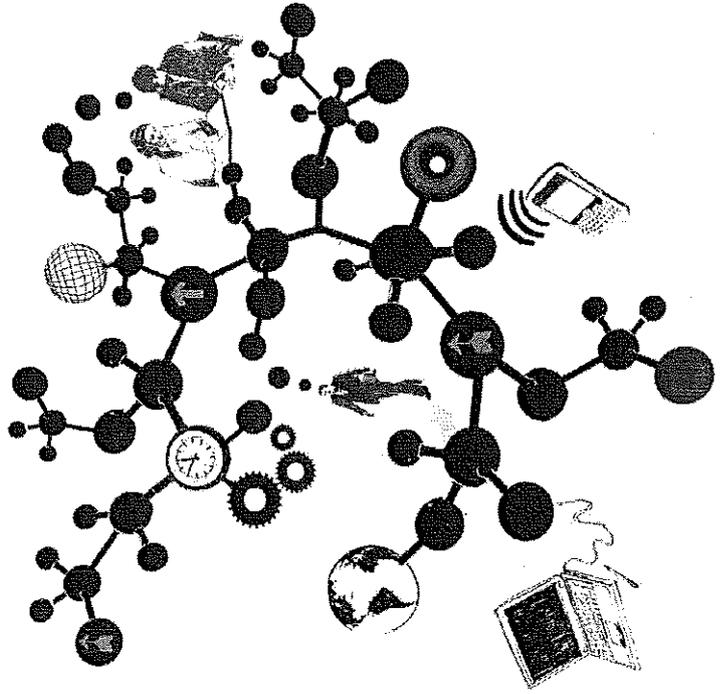
# The Audit Plan for Barrow Borough Council

Year ending 31 March 2016  
March 2016

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



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March 2016

Dear Sir/Madam

**Audit Plan for Barrow Borough Council for the year ending 31 March 2016**

This Audit Plan sets out for the benefit of those charged with governance (in the case of Barrow Borough Council, the Audit Committee), an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with the Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015.

Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Yours sincerely

Jackie Bellard  
Engagement Lead

Chartered Accountants  
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# Understanding your business

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

## Challenges/opportunities

<p><b>1. Autumn Statement 2015 and financial health</b></p> <ul style="list-style-type: none"> <li>The Chancellor proposed that local government would have greater control over its finances, although this was accompanied by a 24% reduction in central government funding to local government over 5 years.</li> <li>Despite the increased ownership, the financial health of the sector is likely to become increasingly challenging.</li> <li>The Council is currently developing and updating its Budget Strategy to set out its response to the medium-term financial pressures faced by the Council.</li> </ul>	<p><b>2. Devolution</b></p> <ul style="list-style-type: none"> <li>The Autumn Statement 2015 also included proposals to devolve further powers to localities.</li> <li>Discussions within Cumbria regarding the options for some form of devolution are ongoing.</li> </ul>	<p><b>3. Housing</b></p> <ul style="list-style-type: none"> <li>The Autumn Statement also included a number of announcements intended to increase the availability and affordability of housing.</li> <li>In particular, the reduction in council housing rents and changes to right to buy will have a significant impact on Councils' housing revenue account business plans.</li> </ul>	<p><b>4. Economic Regeneration</b></p> <ul style="list-style-type: none"> <li>Through their Membership of Local Enterprise Partnerships, local authorities are focussing on how they can join up with industry to drive forward growth in their local economy</li> <li>The Council is a member of the Cumbria Local Enterprise Partnership and also the Furness Economic Development Forum. The Council has secured funding from the Coastal Communities Fund to stimulate the local supply chain and provide start-up support to businesses.</li> </ul>
--	---	--	--

## Our response

<ul style="list-style-type: none"> <li>We will consider the Council's plans for addressing its financial position as part of our work to reach our VFM conclusion.</li> </ul>	<ul style="list-style-type: none"> <li>We will consider your plans as part of the local devolution agenda as part of our work in reaching our VFM conclusion.</li> <li>We are able to provide support and challenge to your plans based on our knowledge of devolution elsewhere in the country.</li> </ul>	<ul style="list-style-type: none"> <li>We will consider how the Council has reflected government announcements as part of its business planning process.</li> <li>We will share our knowledge of how other Councils are responding to these changes.</li> </ul>	<ul style="list-style-type: none"> <li>We will consider, as part of our VFM conclusion, how the Council is working with partners to take forward its strategic objectives relating to the local economy.</li> </ul>
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# Developments and other requirements relevant to your audit

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

## Developments and other requirements

### 1. Fair value accounting

- A new accounting standard on fair value (IFRS 13) has been adopted and applies for the first time in 2015/16.
- This will have a particular impact on the valuation of surplus assets within property, plant and equipment which are now required to be valued at fair value in line with IFRS 13 rather than the existing use value of the asset.
- There are a number of additional disclosure requirements of IFRS 13.

### 2. Narrative Statement

- The Accounts and Audit Regulations 2015 require local authorities to produce a Narrative Statement, which reports on your financial performance and use of resources in the year, and replaces the explanatory foreword.

### 3. Earlier closedown of accounts

- The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 May and 31 July respectively by the 2017/18 financial year.

### 4. Corporate Governance

- You are required to produce an Annual Governance Statement (AGS) as part of your financial statements.
- SOLACE and CIPFA recently concluded a consultation on proposed changes to the guidance relating to the Local Code of Governance. The revised guidance notes are due to be published in April 2016.



## Our response

- We will keep the Council informed of changes to the financial reporting requirements for 2015/16 through ongoing discussions and invitations to our technical update workshops.
- We have already had early discussions with senior finance staff regarding the basis of valuation of your surplus assets to ensure they are valued on the correct basis.
- We will review your draft financial statements to ensure you have complied with the disclosure requirements of IFRS 13.

- We will review your Narrative Statement to ensure it reflects the requirements of the CIPFA Code of Practice when this is updated, and make recommendations for improvement.

- We will work with you to identify areas of your accounts production where you can learn from good practice in other authorities.
- We aim to complete all substantive work in our audit of your financial statements by 31 August 2016.

- We will discuss with management whether any updates to the local Code are required in response to the latest guidance.
- We will review your arrangements for producing the AGS and consider whether it is consistent with our knowledge of the Council and the requirements of CIPFA guidance.

# Our audit approach

## Global audit technology

 Understanding the environment and the entity

 Understanding the business

 Understanding management's focus

 Evaluating the year's results

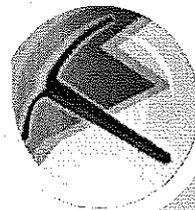
Inherent risks

Significant risks

Other risks

Material balances

Voyager



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

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

## Ensures compliance with International Standards on Auditing (ISAs)

Devise audit strategy (planned control reliance?)

Extract your data

**IDEA**

Analyse data using relevant parameters

Report output to teams

Yes → Tests controls  
Substantive analytical review  
Tests of detail

No → Tests of detail  
Substantive analytical review  
Tests of detail

General audit procedures

Financial statements

Conclude and report

Stores audit evidence

Creates and tailors audit programs

Documents processes and controls

# Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit.

The standard states that 'misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements'.

As is usual in public sector entities, we have determined materiality for the statements as a whole as a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £973,000 (being 2% of gross revenue expenditure). We will consider whether this level is appropriate during the course of the audit and will advise you if we revise this.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £48,650.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'.

We have identified the following items where separate materiality levels are appropriate.

Balance/transaction/disclosure	Explanation	Materiality level
Cash and cash equivalents	Although the balance of cash and cash equivalents is immaterial, all transactions made by the Council affect the balance and it is therefore considered to be material by nature.	£1,000
Disclosures of officers' remuneration, salary bandings and exit packages in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£5,000
Disclosure of auditors' remuneration in notes to the statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£1,000
Related Party Transaction Disclosures	The Council conducts its business using public funds. The Related Party disclosures ensures that the Council discloses in full any transactions that have occurred with related parties. This ensures that the Council is open about who it does business with and counters any allegations or suspicion of nepotism on the part of management or those charged with governance.	10% of the actual value of the transaction /balance between the Council and its related party.

## Significant risks identified

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA 315). In this section we outline the significant risks of material misstatement which we have identified. There are two presumed significant risks which are applicable to all audits under auditing standards (International Standards on Auditing - ISAs) which are listed below:

Significant risk	Description	Substantive audit procedures
The revenue cycle includes fraudulent transactions	This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Barrow Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> <li>• there is little incentive to manipulate revenue recognition</li> <li>• opportunities to manipulate revenue recognition are very limited</li> <li>• the culture and ethical frameworks of local authorities, including Barrow Borough Council, mean that all forms of fraud are seen as unacceptable.</li> </ul>
Management over-ride of controls	Under ISA 240 it is presumed that the risk of management over-ride of controls is present in all entities.	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Review of accounting estimates, judgments and decisions made by management</li> <li>• Testing of journal entries</li> <li>• Review of unusual significant transactions</li> </ul>

## Significant risks identified (continued)

Significant risk	Description	Substantive audit procedures
Valuation of property, plant and equipment	The Council revalues its assets on a rolling basis over a five year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of management's processes and assumptions for the calculation of the estimate.</li> <li>• Review of the competence, expertise and objectivity of any management experts used.</li> <li>• Review of the instructions issued to valuation experts and the scope of their work</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Testing of revaluations made during the year to ensure they are input correctly into the Council's asset register</li> <li>• Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>• Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.</li> </ul>
Valuation of Local Government Pension Fund Liability	The Council's pension fund liability represents a significant estimate in the financial statements.	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• Review of management processes to ensure the data supplied to the Cumbria Pension Fund is accurate and complete.</li> </ul> <p><b>Further work planned:</b></p> <ul style="list-style-type: none"> <li>• Liaison with the auditor of the Cumbria Pension Fund to understand the controls in place to ensure the data supplied to the actuary is accurate and complete.</li> <li>• Comparison of estimates used by the actuary to produce the valuation with actuals available to the Council and the Pension fund after the year-end.</li> <li>• Procedures to understand and assess the assumptions and techniques used by the actuary to estimate the value of the pension fund liability.</li> <li>• We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.</li> </ul>

## Other risks identified

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

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

Other risks	Description	Audit approach
Operating expenses	Creditors understated or not recorded in the correct period (Operating expenses understated)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• We have reviewed the systems and controls that the Council have in place to pay and record expenditure incurred.</li> <li>• We have walked-through controls relevant to the risk identified.</li> <li>• From this work we have not identified any control weaknesses or errors.</li> <li>• Early testing of a sample of expenditure transactions from the first nine months of the financial year.</li> </ul> <p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Substantive testing of a sample of year end creditors and accruals.</li> <li>• Testing of both expenditure transactions in the remaining three months and a sample of creditors and accruals to ensure "cut-off" is correct (ie. that they are recorded in the right period).</li> <li>• Computer Assisted Audit Techniques to compare payments in the 2016-17 financial year with the balances outstanding in the balance sheet, as at 31 March 2016.</li> </ul>
Employee remuneration	Employee remuneration accruals understated (Remuneration expenses not correct)	<p><b>Work completed to date:</b></p> <ul style="list-style-type: none"> <li>• We have reviewed the systems and controls that the Council has in place to ensure that its employees are paid the correct amount based on hours worked and their contractual entitlement, including arrangements to accrue for amounts outstanding but not yet paid at the year-end. This has included consideration of the Council's contract with Selima, its outsourced payroll provider.</li> <li>• We have walked-through the controls the Authority has in place in relation to this risk.</li> <li>• We have undertaken some early testing of payroll transactions relating to the period April 2015 – December 2015.</li> </ul> <p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Sample testing of payroll transactions from January 2016 to March 2016.</li> <li>• Substantive testing of significant year end payroll accruals.</li> <li>• Analytical procedures to identify any discrepancies in monthly payrolls and consideration as to whether payroll expenditure is in line with our expectations based on supporting evidence.</li> <li>• Testing of the reconciliation between the payroll system and the amounts recorded in the financial statements.</li> </ul>

## Other risks identified (continued)

Other risks	Description	Audit approach
Welfare expenditure	Welfare benefit expenditure improperly computed	<p><b>Work planned:</b></p> <ul style="list-style-type: none"> <li>• Completion of housing benefits testing in accordance with Public Sector Audit Appointment's Certification Instruction, BEN01, including re-performance of detailed housing benefits testing completed by Internal Audit.</li> <li>• We will walk-through a transaction to update our understanding of the benefits system and ensure there are appropriate controls in place that are designed effectively.</li> <li>• Testing of the reconciliation between the benefits system and the amounts recorded in the financial statements.</li> </ul>

## Other risks identified (continued)

### Other material balances and transactions

Under International Standards on Auditing, "irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure". All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous section but will include

- Investments (long term and short term)
- Cash and cash equivalents
- Borrowing and other liabilities (long term and short term)
- Provisions
- Usable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Segmental reporting note
- Officers' remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes

### Other audit responsibilities

- We will undertake work to satisfy ourselves that disclosures made in the Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read the Narrative Statement and check that it is consistent with the statements on which we give an opinion and disclosures are in line with the requirements of the CIPFA Code of Practice.
- We will carry out work on consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We will give electors the opportunity to raise questions about the accounts and consider and decide upon objections received in relation to the accounts

# Value for Money

## Background

The Local Audit & Accountability Act 2014 (the Act) and the NAO Code of Audit Practice (the Code) require us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The National Audit Office (NAO) issued its guidance for auditors on value for money work in November 2015. The Act and NAO guidance state that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

This is supported by three sub-criteria in the adjacent table:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> <li>Acting in the public interest, through demonstrating and applying the principles and values of good governance</li> <li>Understanding and using appropriate cost and performance information to support informed decision making and performance management</li> <li>Reliable and timely financial reporting that supports the delivery of strategic priorities</li> <li>Managing risks effectively and maintaining a sound system of internal control.</li> </ul>
Sustainable resource deployment	<ul style="list-style-type: none"> <li>Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</li> <li>Managing assets effectively to support the delivery of strategic priorities</li> <li>Planning, organising and developing the workforce effectively to deliver strategic priorities.</li> </ul>
Working with partners and other third parties	<ul style="list-style-type: none"> <li>Working with third parties effectively to deliver strategic priorities</li> <li>Commissioning services effectively to support the delivery of strategic priorities</li> <li>Procuring supplies and services effectively to support the delivery of strategic priorities.</li> </ul>

## Value for Money (continued)

### **Risk assessment**

We completed an initial risk assessment based on the NAO's guidance. In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements;
- the findings of other inspectorates and review agencies;
- any illustrative significant risks identified and communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified significant risks which we are required to communicate to you. The NAO's Code of Audit Practice defines 'significant' as follows:

*A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects.*

We have set out overleaf the risks we have identified, how they relate to the Code sub-criteria, and the work we propose to undertake to address these risks.

## Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p><b>Future Budget Strategy</b>            In our 2014-15 Audit Findings Report we noted that the Council was developing a budget strategy following the local elections held in May 2015. The local government finance settlement for 2016-17 and the provisional allocations for the following three financial years has recently been published. The Council needs to ensure that its budget strategy incorporates realistic assumptions about how the Council can balance its budget by reducing expenditure and/or generating additional income.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions</p>	<p>We will review work the progress made by officers and members to develop the Budget Strategy and assess the robustness of the assumptions underpinning the strategy.</p>
<p><b>Economic regeneration</b>            The Council's strategic priorities include a commitment to secure a long-term economic recovery for the community. The Council recognise that partnership working is crucial to driving economic growth in the Borough. The Council has already made some significant investments to regenerate the Borough, in particular the Marina Project. We need to understand how the Council is working with partners in the private and public sector in pursuit of its regeneration objectives and how members and officers assess the Council's progress against those objectives.</p>	<p>This links to the Council's arrangements to work with third parties effectively to deliver strategic priorities</p>	<p>We will review how the Council is working with partners to revitalise the local economy and assess whether the Council has the right measures in place to assess the progress made.</p>

### Reporting

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

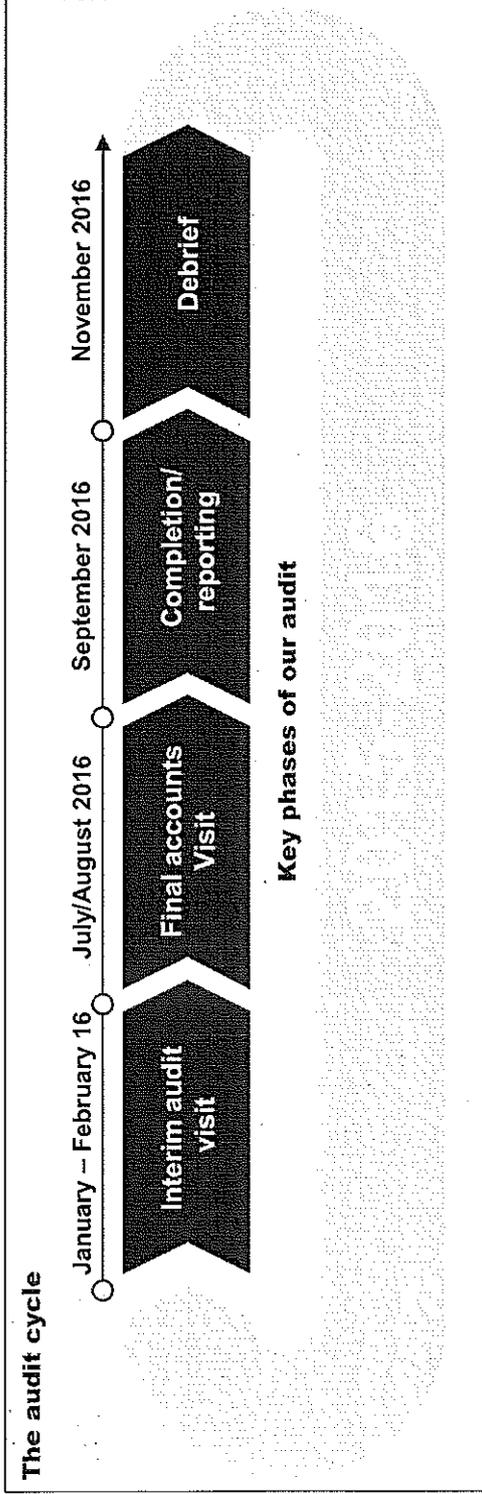
We will include our conclusion as part of our report on your financial statements which we will present to the Audit Committee in September 2016.

# Results of interim audit work

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

	Work performed	Conclusion
<b>Entity level controls</b>	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> <li>• Communication and enforcement of integrity and ethical values</li> <li>• Commitment to competence</li> <li>• Participation by those charged with governance</li> <li>• Management's philosophy and operating style</li> <li>• Organisational structure</li> <li>• Assignment of authority and responsibility</li> <li>• Human resource policies and practices</li> </ul>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
<b>Walkthrough testing</b>	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
<b>Journal entry controls</b>	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>

# Key dates



Date	Activity
January – February 2016	Planning
January 15- March 15	Interim site visit
3 <sup>rd</sup> March 2016	Presentation of audit plan to Audit Committee
July – August 2016	Year end fieldwork
September 2016	Audit findings clearance meeting with the Director of Resources
By 30 <sup>th</sup> September 2016	Report audit findings to those charged with governance (Audit Committee)
By 30 <sup>th</sup> September 2016	Sign financial statements opinion

# Fees and independence

## Fees

	£
Council audit	51,119
Grant certification	13,360
<b>Total audit fees (excluding VAT)</b>	<b>64,479</b>

## Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list.
- The scope of the audit, and the Council and its activities, have not changed significantly.
- The Council will make available management and accounting staff to help us locate information and to provide explanations.
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

## Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

## Fees for other services

We have not agreed to provide any other services to the Council at the time of issuing this audit plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

## Independence and ethics

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

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

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

# Communication of audit matters with those charged with governance

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

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

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

## Respective responsibilities

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psa.co.uk/appointing-auditors/terms-of-appointment/>)

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

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

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

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



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<b>AUDIT COMMITTEE</b>	<b>Part One (D) Agenda Item 12</b>
<b>Date of Meeting: 3rd March, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Audit Committee Update</b></p> <p><b>Summary and Conclusions:</b></p> <p>This report contains an update on the 2015-2016 Accounts and an update on current issues and developments.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the report and raise any questions.</p>	

## **Report**

### **Statement of Accounts 2015-2016**

The timetable for the Statement of Accounts 2015-2016 has been prepared. The Accountancy Services Manager and Assets Accountant have attended the annual update event run by CIPFA. These officers are briefing myself and the other accountants on changes impacting the Council's accounts for 2015-2016. Other preparations are taking place.

As reported at the Audit Committee in December, IFRS 13 'Fair value measurement' is incorporated into the Accounting Code of Practice. The Council does not have investment properties, but has reviewed its surplus assets in line with the Code requirements. Fair values will be disclosed. The Property, Plant and Equipment measurement bases have been reviewed and clearly stated in the Accounting Policies for the 2015-2016 Statement of Accounts.

### **Actions from 2014-2015**

The governance actions from 2014-2015 are being monitored and the latest update is attached as **Appendix 22**.

### **National Fraud Initiative (NFI)**

The data matches identified by the NFI exercise that were identified as high risk have all been reviewed. As a whole the data matching exercise resulted in housing benefit savings of £3,358.56 spread across 13 cases.

## **Protecting the English Public Purse**

The Council participates in an annual fraud detection survey run by 'The European Institute for Combatting Corruption and Fraud' (TEICCAF). In October last year I circulated the national publication and I now have the personalised Barrow Borough Council document. This is attached at **Appendix 23** and uses the data the Council provided to compare against similar authorities; housing benefits remains the area of fraud highlighted. The document indicates that we are lower than our comparators.

## **External Audit Contract**

The Secretary of State for Communities and Local Government has decided to extend the transitional arrangement for principal local government bodies to 1<sup>st</sup> April 2018. Once the transitional audit arrangements come to an end, local public sector bodies will have the power to appoint their own auditors. This means new appointments will need to be made by 31<sup>st</sup> December 2017.

However, the Local Government Association (LGA) successfully lobbied for a change to the Local Audit and Accountability Act 2014, as a result of which, local bodies can come together to continue to procure audit at a national level once the transitional arrangements end. The LGA believe that this will continue to deliver competitive prices, and also avoid the necessity for each audited body to establish its own independent auditor panel.

In deciding to extend the transitional arrangements for a further year for larger local government bodies, the Secretary of State recognised the need to enable the sector to make timely arrangements for procurement under the new framework and to provide ongoing stability in the arrangements during the transition. The LGA lobbied for this extension having estimated that extending the current arrangement beyond 2017 will deliver savings of £24 million per annum by locking in current fee levels.

In May to June 2015, the LGA conducted a short online survey to ascertain the level of interest across the sector for extending external audit contracts for up to three years, and also the level of support for setting-up of a sector-led body to procure external audit on behalf of councils and other bodies by the LGA in the future. Both the extension and the sector-led body options were supported and in response the LGA has started making arrangements to support councils during the transition.

## **Background Papers**

Nil

<u>Rec No.</u>	<u>Action</u>	<u>Management Response</u>	<u>Due Date</u>	<u>Responsibility</u>	<u>Completed</u>
1	Testing of disaster recovery arrangements.	Partial testing has been carried out. Full testing can't be carried out until the Crematorium upgrade is complete.	March 2016	Corporate Support Manager	
2	Review purchasing procedure and provide training.	This will dovetail with the recruitment of the Procurement and Contracts Officer. A reminder of the current procedure has been issued; the procedure review and training will be scheduled when the Officer is in post.	April 2016	Director of Resources	
3	Recruit procurement and contracts officer.	The post is currently being advertised.	March 2016	Corporate Support Manager	
4	Establish audit logging within the Oracle System.	This is currently under review.	Ongoing	Financial Services Manager	
5	Cascade of Business Continuity Plan.	After the disaster recovery is tested.	April 2016	Corporate Support Manager	
6	Produce action plan for sickness and review absence policy.	Review of sickness absence policy carried out in September 2015. Council approved new policy and rolling out manager workshops and employee briefings at present. New policy from April 2016.	January 2016	HR Manager	January 2016
7	Ensure compliance with purchasing and contracting.	Awaiting recruitment of Procurement and Contracts Officer.	May 2016	Corporate Support Manager	
8	Prepare budget strategy.	The Council is developing the Budget Strategy for 2016-2017 to 2019-2020.	July 2016	Executive Director	

# Protecting the English Public Purse Fraud Briefing 2015

# Barrow Borough Council

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# Purpose of Fraud Briefing

1. Provide an information source to support councillors in considering their council's fraud detection activities
2. Extend an opportunity for councillors to consider fraud detection performance, compared to similar local authorities
3. Give focus to discussing local and national fraud risks, reflect on local priorities and the proportionate responses needed
4. Be a catalyst for reviewing the council's current strategy, resources and capability for tackling fraud

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The logo for TEICCAF, consisting of the word "TEICCAF" in a large, bold, uppercase sans-serif font. Above the letters "I", "C", "A", and "F" are small, stylized icons of the European Union flag (stars in a circle). To the right of the word "TEICCAF" is a vertical line, followed by the text "The European Institute for Combating Corruption And Fraud" in a smaller, uppercase sans-serif font.

The European Institute  
for Combating  
Corruption And Fraud

Tackling public & voluntary sector corruption, fraud & money laundering

# About TEICCAF

## *The European Institute for Combatting Corruption And Fraud*

Not for profit charity seeking to provide counter fraud and corruption strategic vision and thought leadership for public sector and charity organisations

Staffed by the former Audit Commission Counter Fraud Team

Continuation of expertise on the fraud risks facing councils

Continuation of the award winning '*Protecting the Public Purse*' reports

Working collaboratively with public sector bodies, charities and private companies across the UK, Europe and around the World

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# Understanding the bar charts

All data are drawn from council submissions for the TEICCAF annual fraud and corruption survey for 2014/15

Your council is compared with the other district councils across the North West and Yorkshire & the Humber taking part in the voluntary survey (NB there are no district councils in the North East)

*National district council submission rate: 59.7%*

*English councils surveyed submission rate: 59.5%*

*(County councils, district councils, metropolitan districts & unitary authorities and London boroughs)*

**Your council for detected cases is shown in Yellow**

**Your council for detected value is shown in Red**

All averages are 'mean' averages

In some cases, council report they have detected fraud and do not report the number of cases and/or the value - for the purposes of this fraud briefing these 'Not Recorded' records are shown as Nil

*NB it is always best practice to ensure counter fraud activity is accurately and comprehensively recorded, particularly for assessing fraud risk*

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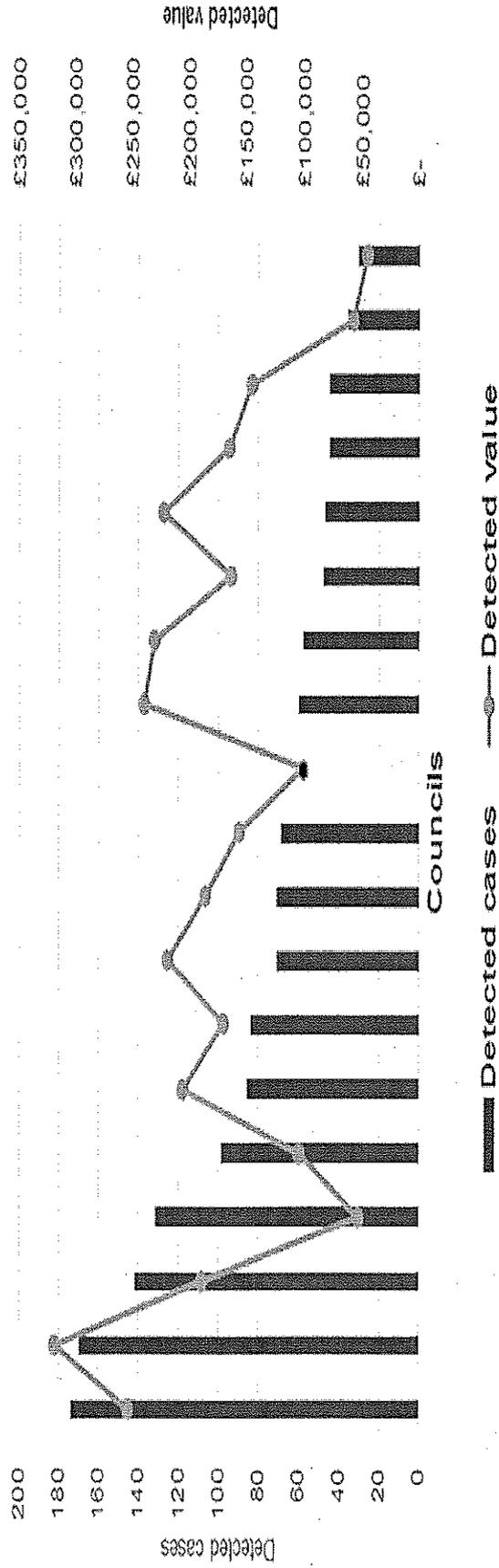
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# Total detected cases and value (excluding tenancy fraud)

Total detected cases and value  
(excluding Tenancy fraud)



**Your council - Total number of detected cases: 62. Total detected value: £101,116.**

**Comparator council average – Detected cases: 81. Detected value: £170,657.**

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# Housing benefit (HB) and council tax benefit (CTB)

The investigation of benefit fraud is transferring from councils to the Department for Work and Pensions Single Fraud Investigation Service (SFIS)

Some councils have already transferred their benefit fraud investigators to SFIS, the remaining councils should have done so by March 2016

This makes the comparison of HB/CTB of little value, as some council did not investigate HB/CTB in 2014/15, or others only a part of the year

However, you may wish to ask:

- Does my council have enough counter fraud resource to tackle non-benefit fraud post SFIS?
- Does my council's counter fraud resource have the skill sets to tackle the wide and varied range of non-benefit frauds?
- Is there a partnership working arrangement available that helps provide a counter fraud resource and value for money?

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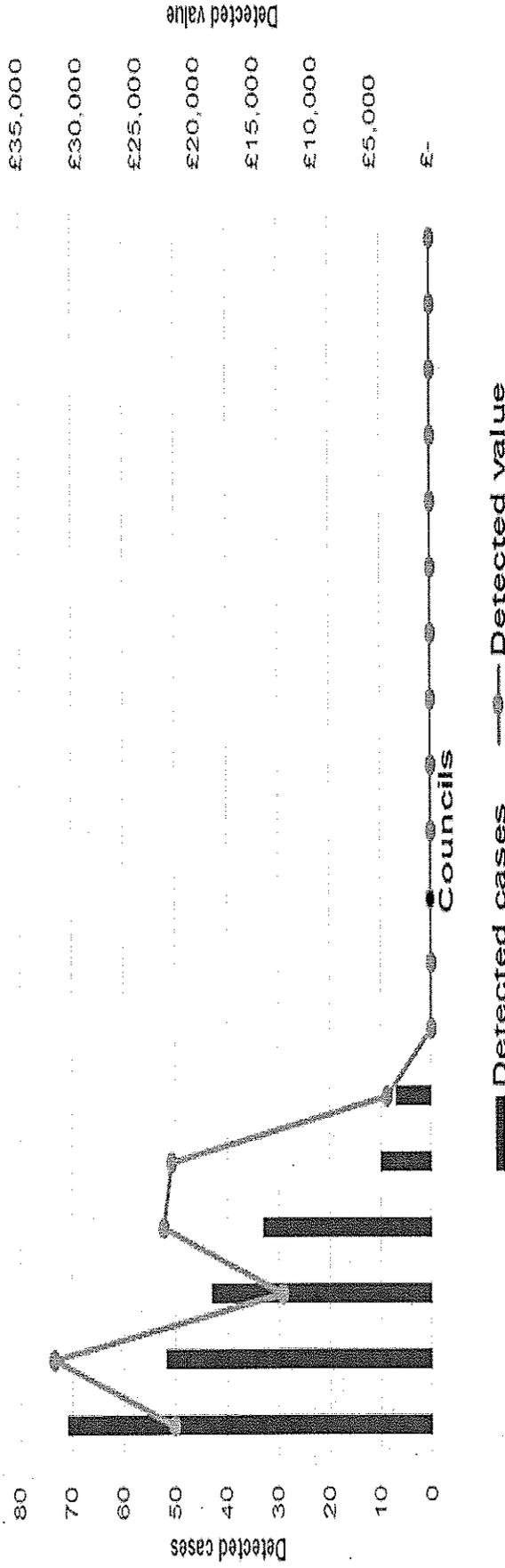
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# Council tax discount fraud

Council tax discount fraud - detected cases and value



**Your council - Total number of detected cases: nil. Total detected value: nil.**

**Comparator council average – Detected cases: 11. Detected value: £6,094.**

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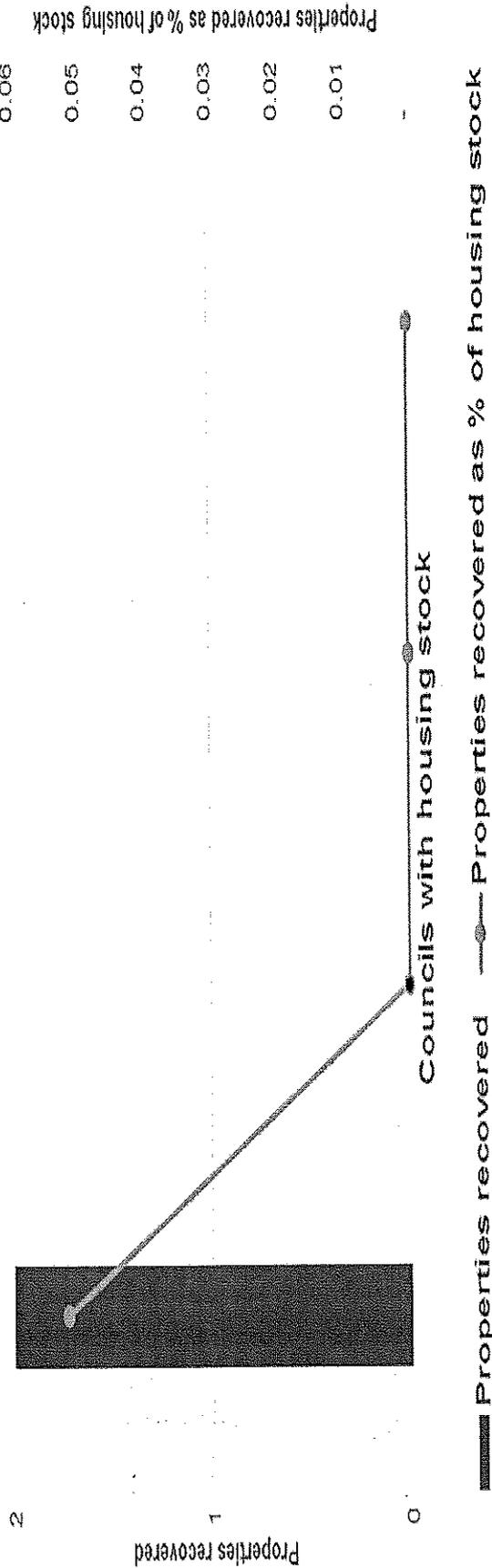
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# Tenancy fraud

(only councils with housing stock)

Tenancy fraud - recovered properties and recovered properties as a percentage of housing stock



Your council - Total number of recovered properties: nil

Comparator council average - Recovered properties: 1

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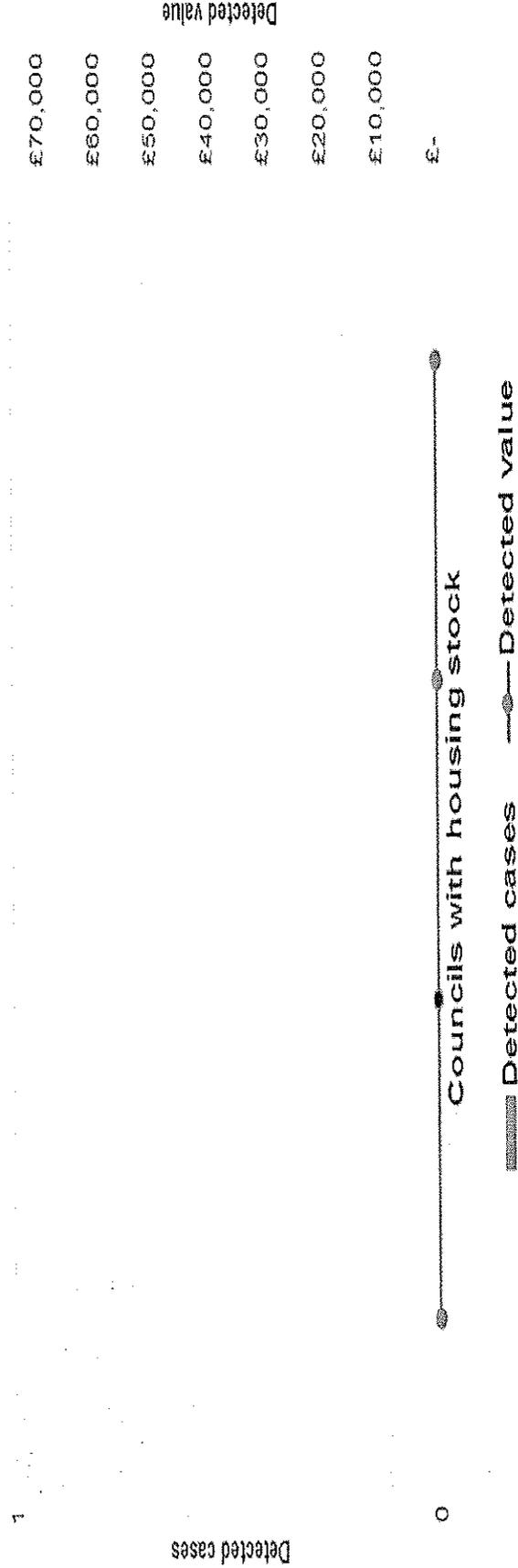
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# Right to Buy fraud

Right to Buy fraud - detected case and values



Your council - Total number of detected cases: nil. Detected value: nil

Comparator council average - Detected cases: nil. Detected value: nil.

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# Other frauds

## **Procurement fraud**

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: 1. Detected value: £921.

## **No recourse to public funds fraud**

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: nil. Detected value: nil.

## **Business rates**

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: nil. Detected value: nil.

## **Internal fraud**

Your council - Total number of detected cases: nil.

Comparator council average – Detected cases: 1. Detected value: £1,031.

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# Further information and support

The 'Protecting the English Public Purse 2015' (PEPP) report and the 'Protecting the London Public Purse 2015' (PLPP) report are available at [www.teiccaf.com](http://www.teiccaf.com)

These reports also contain a counter fraud checklist for councils to use – questions you may wish to ask:

- Are local priorities reflected in our approach to countering fraud?
- Have we considered counter-fraud partnership working?
- Are we satisfied that we will have access to comparative information and data to inform our counter-fraud decision making in the future?

If you have any questions concerning:

- this fraud briefing;
  - TEICCAF; or
  - how TEICCAF can support you in counter fraud, counter corruption and anti-money laundering?
- Please contact Duncan Warmington, Secretary to the Board at [duncanw@teiccaf.com](mailto:duncanw@teiccaf.com)

TEICCAF, and our sponsor, 'INTEC for business', hope you found this fraud briefing useful and encourage your council to participate in the 2015/16 TEICCAF annual fraud and corruption survey

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<b>AUDIT COMMITTEE</b>	<b>(D) Agenda Item 13</b>
<b>Date of Meeting: 3rd March, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Going Concern</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Council is required to assess and determine that it is appropriate to prepare the financial statements on a going concern basis. The review should take account of all available information about the future, which is at least, but not limited to the next twelve months from the end of the reporting period.</p> <p>The accounts of the Council for the period 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016 will be prepared on a going concern basis. This basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to agree that the Council is a going concern and that it is appropriate for the accounts to be prepared on a going concern basis.</p>	

### **Report**

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

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

Therefore, the accounts of the Council for the period 1<sup>st</sup> April, 2015 to 31<sup>st</sup> March, 2016 will be prepared on a going concern basis. This basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.

<b>Considerations</b>	<b>Assessment</b>	<b>Completed</b>	<b>Date</b>
Forecasts and budgets	Council approved the budgets for 2016-2017.	Yes	March 2016
	Council approved Medium Term Financial Plan.	Yes	March 2015 Update due

Considerations	Assessment	Completed	Date
			March 2016
	Council approved a three year capital programme.	Yes	March 2016
	External Audit provided an unqualified opinion on the accounts for the year ended 31 <sup>st</sup> March 2015.	Yes	September 2015
	Budget Strategy to balance the budget by 2015-2016 approved by Council.	Yes	October 2011
	Budget Strategy to balance the budget by 2019-2020 approved by Council.	No	2016
Working capital facility	The Council's income stream is assessed as sufficient to provide adequate working capital. The Council's banking arrangement is flexible and can provide temporary cover if required.	Ongoing review	Ongoing
Medium and long term plans	The annual budget process provides the following years' budget as well as a three year forecast.	Yes	March 2015 Update due March 2016
New legislations	The HRA is now operating under the new self-financing arrangements.	Yes	April 2012
	The Council has adopted the prescribed default Council Tax Reduction Scheme for 2016-2017.	Yes	October 2015
	The Council is aware of the upcoming changes for Universal Credit.	Ongoing review	Ongoing, commenced December 2014
	The Council has signed up to the DCLG Right to Buy receipt retainment scheme.	Yes	Revised agreement signed June 2013
Cash flow timing	A full assessment of projected cash inflows and outflows is carried out on daily basis, including the timing of receipts and settlement of all known liabilities. There are no known factors which would result in a cash shortage during 2016-2017. Business rate retention has been built in to the	Ongoing review	Ongoing

<b>Considerations</b>	<b>Assessment</b>	<b>Completed</b>	<b>Date</b>
	Council's cashflow projections.		
Contingent liabilities	The Council does not have any material contingent liabilities either at the present time or forecast which are not included in the accounts.	Yes	Ongoing review
Risk management	The Council has a risk management process which focuses on the business critical areas of operations and management.	Yes	Ongoing review
Political environment	The Council has moved to a four yearly election cycle. The May 2015 elections resulted in a decisive majority for one political party. This environment provides stability in the policy making areas relating to services and the overall direction of the Council.	Yes	May 2015

Background Papers

Nil

		<u>Part One</u>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 14</b>
<b>Date of Meeting:</b>	<b>3rd March, 2016</b>	
<b>Reporting Officer:</b>	<b>Director of Resources</b>	
<p><b>Title: Accounting Policies</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Council's Accounting Policies have been reviewed to ensure that they remain relevant, current and reflect best practice.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to approve the Accounting Policies for the Council's 2015-2016 Statement of Accounts.</p>		

### Report

It is the responsibility of the Director of Resources to select suitable accounting policies and apply them consistently. Any significant changes in accounting policies are reported in the Statement of Accounts. These changes are highlighted in the Code of Practice on Local Authority Accounting in the United Kingdom each year.

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

### Changes in Accounting Policy

Where a change in accounting policy is required by the Code, the Council will disclose the information that might specifically be required by the Code. For other voluntary changes in accounting policy made by an authority, disclosure is required of:

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

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

#### Future Accounting Standards – Disclosures

Where a new standard has been published but has not yet been adopted by the Code, local authorities are required to disclose information relating to the impact of the accounting change. In making the disclosures required, practitioners are recommended to disclose:

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

#### Accounting Policies for 2015-2016

Members are recommended to approve the Accounting Policies attached at **Appendix 24** for the Council's 2015-2016 Statement of Accounts.

#### Background Papers

Nil

## ACCOUNTING POLICIES

### **a. General Principles**

The Statement of Accounts summarises the authority's transactions for the 2015/16 financial year and its position at the year-end of 31 March 2016. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2011. The Regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 and the Service Reporting Code of Practice 2015/16, supported by International Financial Reporting Standards and Financial Reporting Standards.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounting statements have been prepared on a going concern basis which assumes that the authority will continue in operation for the foreseeable future.

### **b. Accruals of Income and Expenditure**

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from leasehold properties is recognised on an averaged basis where leases contain rent free periods and the first year requires an adjustment of over £10k.
- Revenue from non-exchange transactions is recognised when it is probable that the benefit will flow and the amount can be measured reliably, further details are included in accounting policy d.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. For housing benefit overpayments a full provision is made for the possible non-collection of this debt. However, it is the authority's policy to pursue all debtors where possible, however as the amounts and timing of recovery are not certain, they are not recognised in the Comprehensive Income and Expenditure Statement.

#### **c. Cash and Cash Equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### **d. Council Tax and Business Rate Transactions**

As the billing authority, Barrow Borough Council accounts for its own share of the council tax and business rates transactions in the Balance Sheet and its share of the collection fund balance is held in the Collection Fund Adjustment Account. The precepting authorities' share of the council tax or business rate transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those bodies. The County Council and Government share of the business rate transactions as well as their share of the council tax is accounted for as a debtor or creditor with those bodies. The Police & Crime Commissioner for Cumbria share of the council tax is also accounted for as a debtor or creditor.

#### **e. Exceptional Items**

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the authority's financial performance.

#### **f. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors**

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively

(unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

#### **g. Charges to Revenue for Non-Current Assets**

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The authority is not required to raise council tax to fund depreciation, revaluation or impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

#### **h. Employee Benefits**

##### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, such as time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

##### Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The authority's redundancy policy was amended by Council on the 16 March 2011 to introduce an enhanced redundancy payment, this ended on 30 June 2015.

### Post-Employment Benefits

Employees of the authority are members of the Local Government Pension Scheme, run by Cumbria County Council.

The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

### The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cumbria pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and other factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the applicable discount rate based on the indicative rate of return on AA rated corporate bonds.
- The assets of the Cumbria pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
  - quoted securities – current bid price
  - unquoted securities – professional estimate
  - unitised securities – current bid price
  - property – market value.
- The change in the net pensions liability is analysed into the following components:
  - Service cost comprising:
    - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
    - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive

#### Income and Expenditure Statement as part of Non Distributed Costs

- net interest on the net defined benefit liability (asset), that is, net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- Re-measurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
- contributions paid to the Cumbria pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

#### Discretionary Benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## **i. Events after the Balance Sheet Date**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and, those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **j. Financial Instruments**

### Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, where it is material. The reconciliation of amounts charged to the Comprehensive Income and Expenditure

Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where premiums and discounts have been charged to the Housing Revenue Account, regulations state that the impact on the Housing Revenue Account Balance must be spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, restricted to a term of 10 years.

#### Financial Assets - Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. These are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the authority has made an interest free loan using Cluster of Empty Homes funding to a private landlord at less than market rate (soft loan). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate receivable from the private landlord, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Upon repayment, the Cluster of Empty Homes funding is recognised as a capital receipt.

Where assets are identified as impaired because of a likelihood arising from a past event and the payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Loans and receivables also include assets traded in an active market, such as stocks, shares and gilts. In line with the Treasury Strategy the authority does not currently trade in this type of asset.

#### **k. Foreign Currency Translation**

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

#### **l. Government Grants and Contributions**

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

### **m. Efficiency Support Grant**

Efficiency Support Grant is a revenue grant paid by Central Government between 2013/14 and 2015/16. It is paid to authorities who would otherwise see a reduction in 'Revenue Spending Power' of more than 8.8% in 2013/14 and 6.9% in 2014/15 and 6.4% in 2015/16. The grant is the amount needed to ensure that no authority experiences a Revenue Spending Power reduction of more than the cap. The definition of 'Revenue Spending Power' used to calculate eligibility for the grant is the aggregate of Council Tax, Formula Grant and other Specific Grants. The grant is non-ring fenced and is credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

### **n. Inventories and Long Term Contracts**

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The authority's inventories are stocks purchased for internal issue and for sale as merchandise.

Long term contracts are accounted for on the basis of charging the (Surplus) or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

### **o. Leases**

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

#### The Authority as Lessee

##### Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a rent-free period at the commencement of the lease).

Vehicles and equipment that are contained within a contractual arrangement are deemed to be an operating lease where the Council does not significantly control the physical assets and where the term of the contract is less than the expected useful life of the assets.

## The Authority as Lessor

### Operating Leases

Where the authority grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

All operating leases, including peppercorn leases, are recognised by the authority for disclosure purposes, building leases not less than 10 years and land leases not less than 50 years are assessed for evidence of a finance lease. Vehicle and equipment operating leases are deemed to be immaterial.

### **p. Overheads and Support Services**

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in the Service Reporting Code of Practice and accounted for as separate headings in the Comprehensive Income and Expenditure Statement, as part of Net Expenditure on Continuing Services.

### **q. Property, Plant and Equipment**

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

The Council holds a number of assets acquired to enhance the built environment, support the local economy and provide the type of property needed for business development in the Borough. Collectively, these are regeneration assets and they continue to be held by the authority for the same purpose as at acquisition. Regeneration assets are recognised as Other Land and Buildings within the Balance Sheet. The rental stream from these assets is credited to the Comprehensive Income and Expenditure Statement. Disposal proceeds from appropriate regeneration assets are subject to Government funding claw back consideration.

## Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (repairs and maintenance) is charged as an expense when it is incurred. Acquisitions under £10,000 are de minimis and are not considered to create an asset.

## Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The authority does not capitalise borrowing costs.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (which will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use
- all other assets – current value – market value in existing use (MV-EUV) or, where the asset is of a specialist nature and has no active market, depreciated replacement cost (DRC) is used as an estimate of fair value

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at fair value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Where an item of Property, Plant and Equipment with a value over £150,000 has major components whose cost is not less than 20% of the total cost of the asset, the components are treated as separate assets. For existing assets the components are recognised on replacement until a revaluation is performed.

### Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

### Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (such as

freehold land and certain Community Assets) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- plant and equipment – straight-line allocation over the useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over the useful life of the asset.

Where an item of Property, Plant and Equipment with a value over £150,000 has major components whose cost is not less than 20% of the total cost of the asset, the components are depreciated separately. For existing assets the components are recognised on replacement until a revaluation is performed.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

#### Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less the costs of sale. Where there is a subsequent decrease to fair value the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Council dwellings are available for sale to sitting tenants under the provisions of the Right to Buy legislation. The authority does not classify these as held for sale unless there is a formal exchange date available at the year end.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, decommissioned or derecognised, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the

Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

## **r. Provisions, Contingent Liabilities and Contingent Assets**

### Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

## Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

### **s. Reserves**

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, pensions and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

### **t. Revenue Expenditure Funded from Capital under Statute**

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

#### u. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

<b>AUDIT COMMITTEE</b>	<u>Part One</u> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>15</b>
<b>Date of Meeting: 3rd March, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Audit Committee Work Plan</b></p> <p><b>Summary and Conclusions:</b></p> <p>This report sets out the Work Plan for the Audit Committee for 2016-2017.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to agree the Work Plan for 2016-2017.</p>	

### Report

The Audit Committee Work Plan is set out in **Appendix 25** and will be the basis for the agenda of the meetings in 2016-2017.

The items listed within the plan are not exclusive as other items can be brought to the Audit Committee as appropriate. Any recurring items will be built into the Work Plan.

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

Members are recommended to agree the Work Plan for 2016-2017.

### Background Papers

Nil



## Audit Committee Work Plan 2016-2017

Terms of Reference	Reporting Officer	Report	Meeting			
			Jun	Sep	Dec	Mar
To approve the Internal Audit planned activity for the year.	Head of Internal Audit	Annual Plan				✓
To consider progress reports and summaries of Internal Audit reports and outstanding actions.	Head of Internal Audit	Final Reports	✓	✓	✓	✓
		Progress Report		✓	✓	✓
To consider the annual report and opinion of the Head of Internal Audit.	Head of Internal Audit	Annual Report	✓			
To consider the External Audit Annual Governance Report.	Appointed Auditor	Annual Governance Report		✓		
To consider External Audit reports.	Appointed Auditor	Audit Plan				✓
		Claims and Returns Annual Report <i>(Upon completion of work)</i>			✓	
		Annual Audit Letter			✓	
		Audit Committee Update <i>(Where required)</i>		✓		
To receive the External Audit fee letter.	Appointed Auditor	Planned audit fee letter	✓			
To review and approve the Statement of Accounts.	Director of Resources	Audit Committee Update <i>(Where required)</i>		✓		
		Going Concern				✓
		Accounting Policies				✓
		Statement of Accounts		✓		
		Letter of Representation		✓		

## Audit Committee Work Plan 2016-2017



Terms of Reference	Reporting Officer	Report	Meeting			
			Jun	Sep	Dec	Mar
To maintain an overview of Financial Regulations and Contract Standing Orders.	Director of Resources	Annual Review				✓
To monitor anti-fraud and corruption strategy.	Director of Resources	Annual Review				✓
To consider a report on the Internal Audit function.	Director of Resources	Annual Review	✓			
To review the effectiveness of the Audit Committee.	Director of Resources	Annual Review of Audit Committee Effectiveness	✓			
		Audit Committee Work Plan				✓
		Audit Committee Terms of Reference	✓			
To consider and approve the Annual Governance Statement.	Corporate Support Manager	Draft Annual Governance Statement	✓			
		Final Annual Governance Statement		✓		
To consider and monitor corporate governance arrangements.	Corporate Support Manager	Monitoring Report (Governance)			✓	✓
		Code of Corporate Governance Annual Review				✓
		Monitoring Report (Priority 1 recommendations)	✓	✓	✓	✓
To monitor and review risk management arrangements.	Corporate Support Manager	Monitoring Report	✓	✓	✓	✓
To monitor the Councils' complaints process.	Monitoring Officer	Annual Report		✓		

<b>AUDIT COMMITTEE</b>	<u>Part One</u> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>16</b>
<b>Date of Meeting: 3rd March, 2016</b>	
<b>Reporting Officer: Corporate Support Manager</b>	
<p><b>Title: Risk Management</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with the Council's Risk Register.</p> <p><b>Recommendations:</b></p> <p>Members are invited to consider the report and determine whether further action is required.</p>	

### Report

The latest Risk Register for 2015/16 is attached as **Appendix 26** it continues to focus on those business critical risks which are under the control of the Council.

The Risk Register will be presented to Management Board at their meeting on 24th February and I will provide a verbal update at this meeting.

### **Operational Risks**

The Operational Risk Register is attached as **Appendix 27**.

The Risk Register will be presented to Management Board at their meeting on 24th February and I will provide a verbal update at this meeting.

### Background Papers

Nil.

Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
C1 Legislative changes will impact on the Housing Revenue Account Income.	5	5	25	Imposed 1% rent reduction year on year for 4 years. (est total loss in budget of c10% over the 4 years) - welfare reform changes, in particular the continued impact of the bedroom tax, and the implementation of universal credit. (70% of tenants are dependant on welfare benefits, and for example, we estimate c£116k of rent arrears are attributable to bedroom tax. Although the numbers on universal credit remain low experience is showing it is proving difficult to collect rent from such recipients)	The Housing Service is drafting its next Business Plan which will agree The Service will deal with The threats to income over The next four years in particular. - The Housing Service has and is implementing a range of initiatives within its operational arrangements to deal with welfare reform. This ranges from The change in focus of Housing officers and up-skilling to engagement with potential residents with emphasis on ensuring they have budget plans in place from The start of their new tenancy. Equal priority is also afforded to existing tenants to ensure they have The necessary budget plans and arrangements in place to meet their Housing costs. new Technology solutions are also being progressed to improve The management of tenancies.	Assistant Director - Housing	5	4	20

C2	Future financial stability and sustainability of the Council.	5	5	<p>Without sufficient funding plans discretionary services may be at risk of reduction or closure.</p> <p>Statutory services may be delivered with reduced service levels.</p> <p>Staff redundancies may not be avoidable.</p> <p>Funding to external bodies may be reduced.</p> <p>The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans.</p> <p>The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.</p>	<p>The Council has an approved Budget Strategy to 2015-2016. The policies within the Strategy are the basis for the Council's General Fund revenue budget and its Medium Term Financial Plan.</p> <p>The Budget Strategy led to a restructuring of services and the Council as a whole, but recognised that further restructuring was required to achieve the desired balanced budget by 2015-2016.</p> <p>The Council has planned to use its reserves to set the pace of change but should its main funding reduce further than expected, this will impact on its plans.</p> <p>The Council produced a longer term financial plan in 2014-2015</p> <p>The impact of restructuring is closely monitored by Management Board, including recruitment and resourcing challenges in statutory services. The Council has a Workforce Strategy.</p> <p>The Council continues to bid for funding of all kinds when it becomes available and although this is not sustainable funding, it does support the delivery of the Councils Priorities.</p> <p>The incoming Administration of May 2015 will agree a new Budget Strategy for 2016-2017 to 2019-2020.</p>	Executive Director and Director of Resources	4	4	16
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C3	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors The Council retains the intellectual property and assets that will support continuity of services	Management Board	3	4	12
C4	Level of sickness worsens	4	4	16	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to reduce the current levels of sickness. Details of sickness management will be reported to Management Board on a quarterly basis. The Council will undertake an external review of its sickness absence policy. The Council will undertake an external review of its occupational health provision.	Director of Resources	4	3	12
C5	Performance of service delivery contractors.	3	3	9	Failure to deliver key services. Public dissatisfaction with the service. Public health risk.	The Council has agreed contingency plans with the contractor which are incorporated in the contracts. Protracted industrial action is covered in the contract. The Council is proactively monitoring service delivery and development	Assistant Director - Community Services	3	3	9
C6	Impact of Welfare Reform changes	4	4	16	Increasing numbers of residents experience low incomes and risk homelessness.	<ol style="list-style-type: none"> <li>1. Continue to support and work with advice agencies throughout the Borough to assist residents to receive appropriate advice.</li> <li>2. Maximise the Discretionary Housing Payments fund and assist residents in the most challenging financial circumstances to look for longer-term solutions to their problems.</li> <li>3. The Council has developed a Homeless Strategy based on our approach of preventative work to assist residents under threat of losing their homes and assist those who are homeless, to resolve their issues.</li> </ol> Reduced grants for Local Government Council Tax Reduction Scheme are not passed on as reduction in entitlement. Continue to invest in group repair schemes to enhance the properties and environment. Continue to offer disabled facilities grants and disabled adaptations.	Assistant Director - Housing	4	3	12

C7	Delivery of the water front regeneration programme	4	4	16	Failure to deliver the programme will damage the profile of Barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council is committed to complete the site assembly. The project can progress in phases subject to the availability of funding. The Council has commissioned market research from Gerald Eve and Bruce Owen. The LEP have secured 750k to provide initial access into the site.	Executive Director	3	4	12
C8	Not having appropriate governance arrangements in place	2	3	6	The Council may lose focus on the purpose of the authority and the wider outcomes for the community The Council may face legal challenge, receive an adverse opinion from the external auditors or experience reputational damage.	The Constitution, Local Code of Governance and Annual Governance Statement. The Council continues to monitor and strengthen its governance arrangements. These include: Audit and scrutiny functions. Treasury management Asset management Resource management through the workforce development strategy Performance management Risk management	Executive Director	2	2	4
C9	Maintain H&S arrangements	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Group has strengthened the Council's H&S arrangements. Health & Safety systems will be kept under review. All staff have received electronic H&S training. Agreed H&S improvement plan in the process of implementation.	Executive Director	2	3	6
C10	Capacity to undertake statutory inspections, investigations and enforcement action.	5	5	25	Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.	Consultancy services are brought in as required for specific issues or to backfill where Council officers deal with complex cases	Assistant Director - Regeneration and Built Environment	4	4	16
C11	Legal challenge to Procurement of contracts	2	3	6	Unexpected legal costs and fines. Potentially no agreed contract to cover service due to previous contract lapsing.	Training of staff involved in high value procurement and audit checklists. The Council has introduced corporate logging of contracts	Assistant Director - Regeneration and Built Environment	1	3	3

C12	Information Technology security breach	3	5	15	Corrupt systems and loss of data. Withdrawal of Public Sector Network access. System downtime impacting on service delivery.	Up-to-date Information Security Policy. Staff using email and internet sign up to the Policy. Management overview of email and internet usage. Individual virtual servers for discrete business areas. Business continuity plan. Symantec has been set up on all windows machines to provide a level of protection against virus, spyware and other threats. E-training for email and internet vigilance has been delivered to all staff. Virtual desktops provide more controlled environment which further limits the possibility of breaches.	Director of Resources	1	3	3
C13	Incidents of fraud, bribery or corruption	2	2	4	It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.	Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit	Director of Resources	1	2	2
C14	Major incident affecting service delivery	1	5	5	Widespread damage due to fire, flooding or severe weather.	Business continuity plan. Contingency plans. Remote access to Council systems	Executive Director	1	4	4
C15	Major incident affecting ICT systems	1	4	4	Damage to Council's ICT infrastructure due to fire or flooding. Failure of ICT systems may adversely affect service delivery.	Disaster recovery plan Business continuity plan. Contingency plans. Remote access to Council systems Offsite replicate server has been established.	Director of Resources	1	3	3

Operational risks November 2015

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O1	Not having adequate staffing to deliver key services.	4	5	20	Key services, including statutory services and demand led services cannot be delivered.	<p>The main key services apart from housing, leisure and enforcement are contracted out.</p> <p>Management Board co-ordinate leave to ensure that senior management is available.</p> <p>Staff holiday planning is undertaken by the managers within departments.</p> <p>Consultancy services are used where unplanned absences will result in statutory services being adversely affected. The Council has also agreed mutual aid arrangements for professional support with other local authorities.</p>	Management Board	3	4	12
O2	Access to operational buildings.	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	<p>The Council has a Business Continuity Plan.</p> <p>Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities.</p> <p>Key back office functions performed in the Town Hall can be carried out from other operational buildings.</p> <p>There are several key holders for each operational building.</p>	Executive Director	1	3	3

Operational risks November 2015

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O3	Inadequate cashflow for operational purposes.	2	5	10	<p>Unable to make payments to benefit recipients, pay staff, pay contractors or suppliers.</p> <p>See item O5 relating to benefit payments.</p> <p>Services may be suspended or withdrawn should the Council not pay its debts.</p>	<p>The Council's cashflow is monitored daily against projections that are made for the year.</p> <p>The Council pays by BACS and CHAPS and does not issue cheques which can cause fluctuations in cashflow depending on when they are presented by the payee.</p> <p>The Council has an overnight account with its bank with a sufficient balance to cover unexpected payments.</p> <p>It is possible to call investments back before maturity; this incurs a penalty.</p> <p>The Council has headroom within its borrowing limit to draw down either a temporary or long term loans.</p>	Director of Resources	1	2	2
O4	Unable to collect household waste.	3	5	15	<p>Households would potentially have side waste if the refuse container filled up due to delays in collections.</p> <p>There are health and safety issues with holding waste and particularly side waste for householders.</p>	<p>The waste collection service is contracted out.</p> <p>There is a waste management snow plan.</p> <p>There is capacity within the week to put on additional collections to catch up from any delays.</p>	Assistant Director - Community Services	2	3	6
O5	Unable to pay housing benefits to claimants.	3	5	15	<p>Housing benefit recipients would be unable to pay their rent and this may jeopardise their tenancies.</p>	<p>The BACS file is produced by the Council's contractor a day ahead of time.</p> <p>The Council has support for BACS from its supplier and from its bank.</p> <p>Payments can be made by alternative methods in exceptional circumstances.</p>	Director of Resources	2	2	4

Operational risks November 2015

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O6	Reduced income may challenge the Council's ability to focus on any more than the decent homes standard and delay investment in the wider environment or the upkeep of communal areas on estates	2	5	10	The Housing Service seeks to ensure the majority of its investment is delivered through a procurement club which adds value, capacity and ensure value for money.	Regular stock surveys are completed and communication with tenants ensures available resources are focused appropriately.	Assistant Director - Housing	1	3	3
O7	Welfare reform changes will impact on the cost of the Council providing temporary accommodation and the up-turn in the local economy is impacting on the availability of the private sector accommodation such as Bed and Breakfast.	4	4	16	The Council will find it increasing difficult to provide suitable temporary accommodation.	The Council will carryout a review of the options of providing temporary accommodation and seek a model that ensures suitable accommodation is provided and full cost recovery from recipients.	Assistant Director - Housing	4	3	12
O8	Unplanned outage of the cremator.	2	5	10	Services are pre-booked and there would be disruption to users in rescheduling or transferring the services. There would be a loss of income.	The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined.	Assistant Director - Community Services	2	3	6

Operational risks November 2015

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O9	Failure of swimming pool filters or other breakage.	2	4	8	<p>The swimming pool would be unavailable to users until fixed.</p> <p>If the outage ran over weeks, the gym &amp; swim members may request a partial refund.</p> <p>There would be a loss of income.</p>	<p>The daily checks carried out on the swimming pool and associated plant would identify potential areas of concern and the appropriate contractor would be brought in to address the issues raised.</p>	Assistant Director - Community Services	2	3	6
O10	Significant breach of the Council IT network	5	5	25	<p>Unauthorised access to sensitive financial information which may result in loss of monies. Unauthorised access to personal data which may leave Council vulnerable to litigation. Infection of the Council's network by malicious viruses which may prevent the Council carrying its normal duties. The Council loses access to the Public Sector Network which increase operating costs and impact on us delivering Council services effectively.</p>	<p>The Council has implemented the controls required to comply with the Public Sector Network requirements including robust penetration testing to identify and address weaknesses. Installation of Symantec mail filtering, Bloxx web filtering, robust firewalls, antivirus software. Third party support which includes installing up to date versions and patches to reduce the risk of unauthorised access or infections. E-learning programme on IT security for all staff</p>	IT Team Leader	1	5	5
O11	Significant system failure	2	3	6	<p>Unable to effectively conduct normal business activities. Loss of historical work and data. Failure to meet deadlines</p>	<p>On-going monitoring of system performance. Disaster recovery arrangements in place with off-site real time replication of data. External support and maintenance contracts in place with appropriate Service Level Agreements</p>	IT Team Leader	1	3	3
O12	Unmanaged access to Council network	3	2	6	<p>Uncontrolled interventions which may inadvertently impact on the Council's network leading to system downtime.</p>	<p>Change control procedure in place. External access by third parties is risk assessed.</p>	IT Team Leader	1	2	2

		<u>Part One</u>
<b>AUDIT COMMITTEE</b>		<b>(D)</b>
<b>Date of Meeting: 3rd March, 2016</b>		<b>Agenda</b>
<b>Reporting Officer: Corporate Support Manager</b>		<b>Item</b>
		<b>17</b>
<p><b>Title: Code of Corporate Governance</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with the final version of the Code of Corporate Governance.</p> <p><b>Recommendations:</b></p> <p>Members are invited to endorse this Code of Corporate Governance and agree that it can be published on the Council's website.</p>		

### Report

The Council produces a Code of Corporate Governance which is reviewed on an annual basis. Guidance preparing the Code is provided by the Chartered Institute for Public Finance and Accountancy (CIPFA).

CIPFA has been working with the International Federation of Accountants (IFAC) and has developed a framework for good governance in the public sector based on the International Framework, Good Governance in the Public Sector.

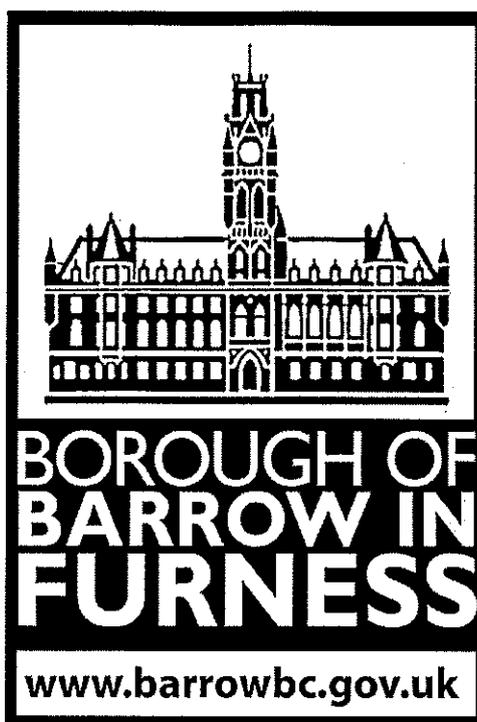
The framework is designed as a reference document for those who develop governance codes for the public sector when updating and reviewing their own codes. The framework provides a shared understanding of what constitutes good governance in the public sector.

The Code of Corporate Governance is attached at **Appendix 28**.

This Committee is invited to endorse the Code and agree to publish it on the Council's website.

### Background Papers

Nil.



## Code of Corporate Governance

<b>Version Control:</b>	
<b>Document Name:</b>	Code of Corporate Governance
<b>Version:</b>	Version 2.0
<b>Author:</b>	Corporate Support Manager
<b>Approved by:</b>	Audit Committee
<b>Date Approved:</b>	
<b>Review Date</b>	February 2017

## Introduction

The Council produces a code of corporate governance which is reviewed on an annual basis. Guidance for preparing the code is provided by the Chartered Institute for Public Finance and Accountancy (CIPFA).

CIPFA has developed a framework for good governance in the public sector based on the International Framework, Good Governance in the Public Sector. The framework comprises of seven principles of good governance.

In the framework governance is defined as:

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

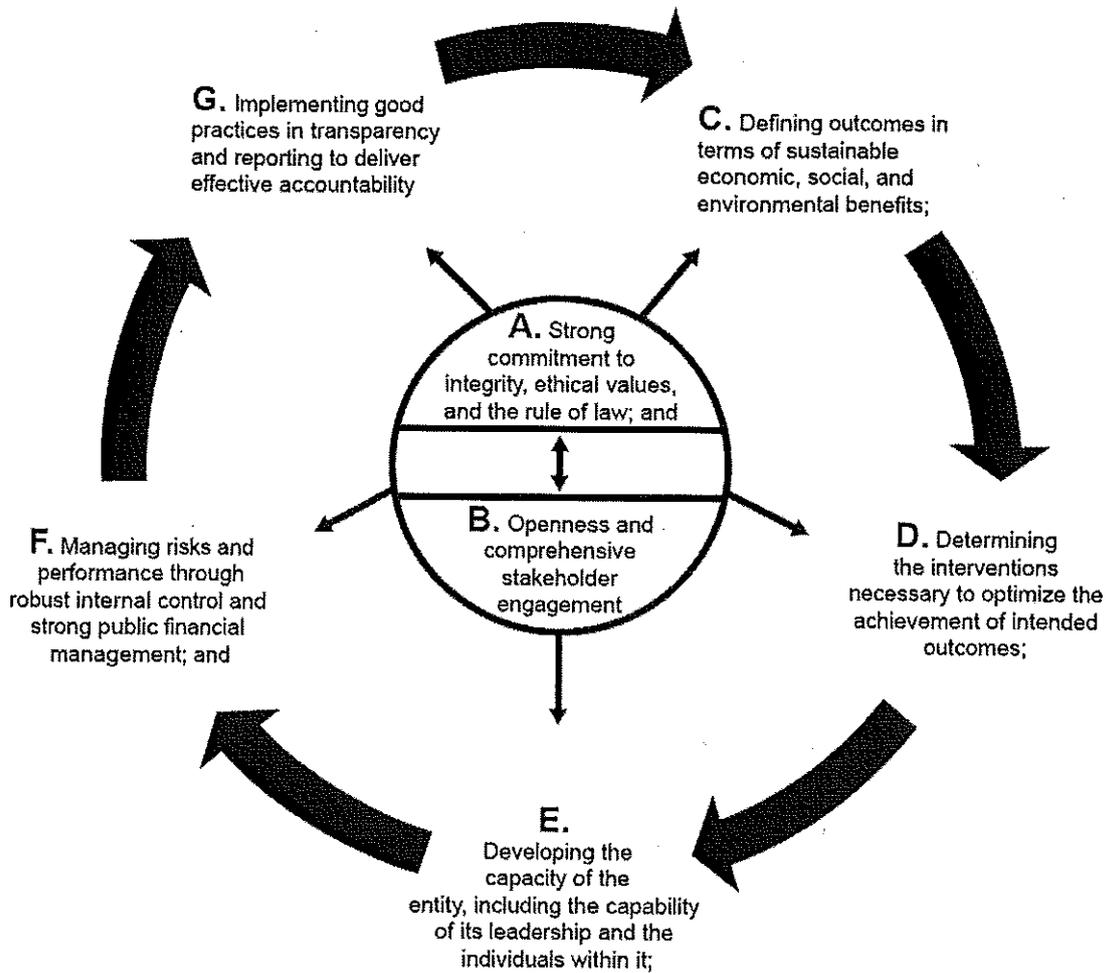
Effective governance in the public sector encourages improved decision making and efficient use of resources. Effective governance is characterised by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption. Effective governance can improve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

The Local Code of Corporate Governance is the document that sets out the framework within which the Council conducts its business and affairs.

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

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

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



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

The Council is responsible for using national resources collected through taxation to provide services for our citizens. We are accountable not only for how much we spend but also for the way we use the resources with which we have been entrusted. In addition, we have an overarching mission to serve the public interest, in adhering to the requirements of legislation and government policies. Ethical values and standards are defined in the Council's Constitution and should form the basis for all our policies, procedures and actions as well as the behaviour of our Members and staff.

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

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

1. The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.
2. We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution
3. We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.
4. We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture.
5. We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.
6. We ensure that systems and processes for financial administration and control together with protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.
7. We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate.
8. Officers will actively recognise the limits of lawful activity placed on them

- but also strive to utilise their powers to the full benefit of their communities.
9. Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.
  10. We have put in place effective systems to protect the rights of staff. We ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.
  11. We have established a governance group with the remit of collecting assurance information across all departments.
  12. We will publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.

## **B: Openness and comprehensive stakeholder engagement**

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

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

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

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

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

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

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

1. We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.
3. We will ensure that there are effective arrangements in place to monitor

service delivery.

4. We will put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.
5. We have prepared contingency arrangements including a disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions.
6. We will provide senior managers and Members with timely financial and performance information.
7. We ensure that budget calculations are robust and reserves are adequate.
8. We will align financial and performance data to provide an overall understanding of performance.

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

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

1. Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.
2. We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.
3. We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.
4. We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.
5. We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.
6. We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.
7. We will ensure that effective management arrangements are in place at the top of the organisation.
8. The Executive Director is responsible and accountable to the Council for all aspects of operational management.
9. The Chief Financial Officer is the Director of Resources and is a member of the Council's Senior Management Board, with access to the Executive

Director and other members of the leadership team.

10. The Section 151 Officer is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
11. We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council
12. The Monitoring Officer is responsible to the Council for ensuring that the constitution is adhered to.
13. We will assess the skills required by Members including the understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.
14. We will assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.
15. We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
16. We will ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.
17. We will review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.
18. We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.

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

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

1. We will maintain an effective Audit Committee which is independent of the executive and scrutiny functions.
2. We will enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.
3. We will ensure that risk management is embedded into the culture of the

Council, with Members and managers at all levels recognising that risk management is part of their job.

4. We will ensure our arrangements for financial and internal control and management of risk are formally addressed within the annual governance reports.
5. We will ensure effective internal control arrangements exist for sound financial management systems and processes.

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

The Council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to understand and respond as the Council plans and carries out its activities in an open manner.

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

## **Annual Review of Corporate Governance**

At the end of each financial year, the Council formally reviews the governance arrangements in place and produces an Annual Governance Statement.

The Annual Governance Statement includes:

- Scope of responsibility
- The purpose of the governance statement
- The Council's governance framework
- Review of effectiveness
- Assurance statements
- Internal Audit's opinion of the system of internal controls
- Financial management
- Significant governance and internal control issues
- Action plan
- Certification statement

The Annual Governance Statement addresses any actions arising from the previous years' Annual Governance Statement and highlights any actions arising from the year being reviewed.

The Annual Governance Statement also assesses the effectiveness and application of the Local Code of Governance and identifies any necessary changes and makes any relevant recommendations to the Council.

As part of the Audit Committee's governance role, the formal annual review will be undertaken by the Audit Committee on behalf of the Council.

The Annual Governance Statement is signed by the Chair of the Audit Committee and by the Executive Director, and is published with the Council's annual Statement of Accounts.

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 18</b>
<b>Date of Meeting:</b>	<b>3rd March, 2016</b>	
<b>Reporting Officer:</b>	<b>Corporate Support Manager</b>	
<p><b>Title:     Monitoring Priority 1 Recommendations</b></p> <p><b>Summary and Conclusions:</b></p> <p>Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.</p> <p><b>Recommendations:</b></p> <p>Members are invited to consider the report and determine whether further action is required.</p>		

**Report**

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

To ensure all agreed Internal Audit Priority 1 recommendations are implemented in a timely manner they are now tracked by Management.

There was one on-going Priority 1 recommendation in the kennels report 14-30.

The Council should ensure that all receipts issued by Officers are from an official receipt book provided by the Finance department.

The Streetcare Manager was issued with an official receipt book in June 2015 which is currently in operational use at the Kennels.

Members were satisfied that appropriate action had been taken and this item has now been removed from the list of outstanding actions.

There were three recommendations in the Procurement Report 15-17.

The Council should ensure that procurements/purchases are consistently made in accordance with the competition requirements of its Purchasing Policy.

Update: Managers have been reminded of the current Purchasing Procedure and its requirements. The Procedure will be revised again early in 2016 with operational feedback sought from across the Council. Revisions will be incorporated only where there is no detrimental impact on key internal controls.

R2: The Council should formally tender the contract for inspection and repair of the Borough's playgrounds in accordance with procurement regulations.

Update: The temporary arrangement remains in place at this time and a decision for permanent arrangements will be made within the next month.

R3: The Council should ensure that correctly authorised official purchase orders are issued for all relevant supplies in accordance with the Authority's procedures.

Update: Managers have been reminded of the current Purchasing Procedure and its requirements. The Procedure will be revised again (including additional clarifications) early in 2016 with operational feedback sought from across the Council. Revisions and clarifications will be incorporated only where there is no detrimental impact on key internal controls.

The Council is currently recruiting for the post of Procurement Officer.

There is an outstanding Priority 1 recommendation from the Business Continuity report 11-08:

The Council should produce a formally approved and up to date Business Continuity Plan.

ICT disaster recovery arrangements are in place and are being tested. A regular testing programme is being developed to ensure that the arrangements are robust. Testing will take place in Q1 2016/17.

The IT Service Team has carried out testing and has confirmed that data can be recovered from the back up servers. We cannot confirm that the data can be accessed from the Park Leisure Centre at this stage because the upgrade of the Crematorium building prevents us from using the microwave repeater which forwards the data.

#### Background Papers

Nil.