

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 18th June, 2015
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 5th March, 2015 (copy attached) (Pages 1-13).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Audit Committee Terms of Reference (Pages 14-15).
- (D) 8. Audit Committee Work Plan (Page 16).

- (D) 9. External Audit Fee Letter 2015-2016 (Page 17).
- (D) 10. Internal Audit Final Reports (Pages 18-19).
- (D) 11. Soccer Centre Internal Audit Report (Pages 20-22).
- (D) 12. Internal Audit Annual Report 2014-2015 (Page 23).
- (D) 13. Risk Management (Pages 24-25).
- (D) 14. Annual Governance Statement (Page 26).
- (D) 15. Monitoring Priority 1 Recommendations (Pages 27-30).
- (D) 16. Audit Committee Update (Pages 31-33).
- (D) 17. External Audit Committee Update (Page 34).

**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:

Sharron Rushton
Democratic Services Officer
Tel: 01229 876321
Email: srushton@barrowbc.gov.uk

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AUDIT COMMITTEE

Meeting Thursday 5th March, 2015
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman) (from Minute No. 50), Pointer (Vice Chairman), Barlow, Murray, and Thurlow.

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

Also present were Jackie Bellard and Neil Krajewski from Grant Thornton and Keith Jackson from Internal Audit.

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

Discussion arising hereon it was

RESOLVED:- That under Section 100A(4) of the Local Government Act, 1972 the public and press be excluded from the meeting for the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in Paragraph 3 (Minute No. 69) of Part One of Schedule 12A of the said Act.

49 – Minutes

The Minutes of the meeting held on 11th December, 2014 were taken as read and confirmed.

50 – Apologies for Absence/Attendance of Substitute Members

Apologies for absence had been received from Councillors Doughty and W. McClure.

Councillor Barlow had attended as a substitute for Councillor Doughty for this meeting only.

51 – Internal Audit – Management Responses

The Director of Resources updated Members on the Performance Indicator for management responses to Internal Audit reports.

At the Audit Committee meeting of 11th December, 2014, the performance indicator for the percentage of management responses received within 20 working days of issue of the draft report was reported as 44%. This was a cumulative indicator so could not achieve 100% this year, but could be improved upon.

The Director of Resources reported the indicator to Management Board on 8th January, 2015. The action from that meeting was for the Executive Director to email Management Group. On 12th January, 2015, an email was sent to remind Management Group about the importance of timely responses to Internal Audit reports and requested that Internal Audit be contacted should there ever be a situation where the 20 days could not be met.

The Internal Audit performance indicators would continue to be monitored as part of the Internal Audit – Progress Report which was a recurring item on the agenda. Currently the indicator had improved to 67%.

RESOLVED:- To note the report.

52 – Internal Audit Final Reports

The Director of Resources reported that Internal Audit performed audits in accordance with the approved Annual Plan.

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

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

1. Housing Benefits – Substantial Assurance;
2. NNDR (Business Rates) – Substantial Assurance;
3. Risk Management – Substantial Assurance;
4. Receipt Books – Substantial Assurance;
5. Performance Management – Substantial Assurance;
6. Treasury Management – Unqualified Assurance;
7. Council Tax – Substantial Assurance;
8. Barrow Market Hall – Substantial Assurance; and
9. ITIL Assessment – Substantial Assurance.

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

RESOLVED:- To note the Internal Audit Final Reports.

53 – Internal Audit Progress Report

The Director of Resources reported that the Internal Audit Progress Report for the period 1st April, 2014 to 20th February, 2015 had been produced by the Head of Internal Audit.

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

There had been 7 Priority 1 recommendations since the previous Audit Committee.

The report contained a statistical summary of the numbers of audit recommendations (93). It was noted that 72 recommendations had been fully accepted and 21 recommendations 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. 7 had been rated Priority 1, 55 had been assigned Priority 2 and 31 had been assigned Priority 3.

RESOLVED:- That the report be received.

54 – Internal Audit – Annual Plan 2015-2016

The Director of Resources reported that the Internal Audit Annual Plan for 2015-2016 had been produced by the Head of Internal Audit. The Head of Internal Audit attended the meeting to present the report to Members.

A copy of the Internal Audit Annual Plan for 2015-2016 had been appended to the report.

RESOLVED:- That the Internal Audit Annual Plan for 2015-2016 be agreed.

55 – Annual Review of Internal Audit

The Director of Resources reported that Regulation 4 of the Accounts and Audit Regulations 2011 required audited bodies to conduct a review of the effectiveness of its system of internal control at least once a year. Regulation 4 also required the findings of the review of the system of internal control to be considered by this Committee. This review was contained within the Annual Governance Statement, presented to Members as part of the agenda at this Committee meeting (Minute No. 32) refers.

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

The Director of Resources was satisfied that the Internal Audit service was effective. She had referred to a number of documents to support her opinion, including:-

1. Public Sector Internal Audit Standards (PSIAS) - a self-assessment checklist completed by the Head of Internal Audit and reviewed by the Director of Resources;
2. The CIPFA statement on the role of the Head of Internal Audit in Local Government – a self-assessment completed by the Head of Internal Audit and reviewed by the Director of Resources;
3. The Internal Audit annual report for 2013-2014 and the progress reports during 2014-2015 – these contained the performance of the service for the last full financial year and this year to date; and

4. Post audit questionnaires – these were returned by departmental managers to reflect satisfaction with the service.

The completed questionnaires were returned to the Director of Resources and it was her expectation that the service should perform to a good standard which equated to an 80% satisfaction rate. From the questionnaires returned for 2014-2015 to date, the Internal Audit service had achieved an 85% satisfaction rate.

RESOLVED:- To agree that Members endorsed the review.

56 – External Audit Certification Work

Jackie Bellard of External Audit reported that the Certification work for Barrow Borough Council for the year ended 31st March, 2014 had been completed by the External Auditors and the claims involved were Housing Capital Receipts and Housing Benefits.

The External Auditors had written to the Council to report their findings and the letter was attached as an appendix to the Director of Resources report.

The External Auditors presented their findings to Members.

The External Auditors explained that there had been a change in the planned audit approach from that described in the audit plan. Whilst the plan stated that the auditors would be relying on Internal Audit for the purposes of their detailed work on housing benefit expenditure, this was no longer the case. Instead External Audit would undertake their own tests on housing benefits expenditure for the purposes of providing the assurance they needed to complete their work on the Council's accounts. Internal Audit would assist with Grant Thornton's certification work on the Council's housing benefit claim as had been the case for several years.

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

57 – External Audit Committee Update

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

A table of progress as at 20th February, 2015 had been presented as follows:-

Work	Planned Date	Complete?	Comments
2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.	March 2015	Yes	The audit plan is included on the agenda for this meeting.

<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	March 2015	No	We have largely completed our interim audit. We will be undertaking some further on-site work in March 2015
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	July/August 2015	No	We are currently finalising with the finance team the dates for our final accounts audit.
<p>Value for Money (VfM) conclusion The scope of our work to inform the 2014/15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • updating our knowledge using existing available information and knowledge; • carrying out a document review of key documentation from the Council's schedule of meetings; • discussing with key officers and requesting further information; • engaging with those charged with governance during the year; and • producing a summarised follow up on financial resilience 	August 2015	No	We have completed our initial risk assessment as part of our audit planning process. We will undertake our detailed VfM work alongside our work on the Council's financial statements
<p>Certification Work We will undertake certification work on the Council's Housing Benefit Claim and the Housing Capital Receipts return in accordance with the relevant certification instruction.</p>	May - October 2015	No	Our work in this area will commence on receipt of the unaudited returns from the Council.

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

58 – External Audit – Annual Plan

The Director of Resources reported that the External Audit Plan for the year ended 31st March, 2015 was complete and was attached as an appendix to the Director of Resources report.

RESOLVED:- To agree that the External Audit Plan for year ended 31st March, 2015 be accepted.

59 – Audit Committee Assurance

The Director of Resources reported that the External Auditor had requested that the Chairman of the Audit Committee explain how the Audit Committee gained assurance from management.

This was an annual request which was included on the agenda so that all Members had the opportunity to consider the proposed response. The Chairman's response was attached as an appendix to the Director of Resources report.

RESOLVED:- To agree that the Chairman signed the response to the External Auditor.

60 – Annual Review of Audit Committee Effectiveness

The Director of Resources reported that the Chartered Institute of Public Finance Accountancy (CIPFA) had recommended that an assessment be undertaken by the Audit Committee to ensure that its effectiveness was regularly reviewed. CIPFA had recommended that this could be achieved by using an evaluation checklist such as CIPFA's Toolkit for Local Authority Audit Committees, a copy of which had been appended to the Director of Resources report. She reported that the initial review during 2014-2015 was performed by the Chair and Vice-Chair with the Director of Resources and the main area of discussion was the need for training. Training would be provided for Audit Committee Members and would be planned to take place prior to the meeting in June.

RESOLVED:- To approve the review.

61 – Audit Committee Update

The Director of Resources submitted a report providing an update on the 2014-2015 Accounts together with an update on current issues and developments.

Statement of Accounts

The Director of Resources reported that the annual closedown timetable had been prepared and was being issued to Managers by the Accountants.

The Director of Resources reported that it was still her intention not to prepare items within the accounts and move solely to a quality assurance and technical compliance role. For the 2014-2015 close-down the Director of Resources would prepare less items within the accounts and provide technical advice when required.

The Data requests for departments, Members and Officers had all had prepared and would be despatched nearer to the year end.

The requests for information from external organisations had begun and that information would be received in April and May.

The Accountancy Services Manager and the Assets Accountant had attended the CIPFA/Grant Thornton close-down workshop and had briefed the other Accountants on their return.

The Statement of Accounts document had been brought forward for updating and the working paper file structure had been brought forward ready for use. The Statement document was de-cluttered during the 2013-2014 closedown preparations.

Current Issues and Developments

The External Auditors update report on the agenda today identified a number of current issues and developments. The Director of Resources provided Members with the Council's arrangements in relation to each item, as follows:-

- Rising to the challenge – financial health of local government
- 2020 Vision – sustainable future
- Financial sustainability of local government
 - Balanced 2014-2015 budget with no call on reserves.
 - Balanced 2015-2016 budget with no Council Tax increase or call on reserves.
 - Medium Term Financial Plan with supporting earmarked reserves.
 - Budget Strategy achieved.
 - Budget Strategy to come.
- Better Care Fund – to deliver greater health and social care integration
 - Cumbria County Council and NHS.
 - Cumbria Health and Wellbeing Board.
 - Furness Health and Wellbeing Forum.
 - Collective aims:
 - An increased focus on supporting independent living and specialist support for self-management.
 - Integrated services delivered to natural communities through a much expanded primary and community care service offer.
 - Moving to sustainable bed-based services (hospitals and residential care).
- Group accounting standards
 - Review is ongoing but not likely to change from previous years.
 - No group accounting requirement.
- Earlier closure and audit of accounts
 - External Auditors facilitating a workshop session for Cumbria authorities.
 - No time will be removed from the current plan for 2014-2015.
 - An assessment will be made for 2015-2016.
- Kerslake report on Birmingham City Council
 - Constitution regularly reviewed.
 - Policies, strategies and plans reviewed regularly.

- Annual report published.
- Medium term finances embedded in the Council's overall plans.
- Local Government financial reporting remains strong
 - Accounts signed off by 30th September.

RESOLVED:- To receive the report.

62 – Governance and Policy Updates

The Director of Resources reported that the Council's Financial Regulations, Contract Standing Orders and Anti-Fraud Policies had been reviewed to ensure that they remained relevant, current and reflected best practice.

The revised accounting policies had been appended to the Director of Resources report for Members information:-

- The Financial Regulations;
- The Contract Standing Orders;
- The Anti-Fraud and Corruption Policy; and
- The Whistleblowing Policy.

The documents would be presented to the Executive Committee on 11th March, 2015, requesting that they were recommended to Council for endorsement and adoption.

RESOLVED:- To note the report.

63 – Accounting Policies

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

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

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

There were a number of changes within the Code for 2014-2015, with only one potentially having an impact on the Council.

The Code had been modified in relation to the presentation of the financial statements, adopting the principle of specifying the minimum level of detail whilst permitting more detail where appropriate. The current format of the financial statements was compliant and the need for any further disclosures would be reviewed against the requirements.

Changes in Accounting Policy

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

- the nature of the change in accounting policy;
- the reasons why applying the new accounting policy provides reliable and more relevant information;
- for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;
- the amount of the adjustment relating to periods before those presented, to the extent practicable, and
- if retrospective application was impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy had been applied.

Future Accounting Standards – Disclosures

Where a new standard had been published but had not yet been adopted by the Code, local authorities were required to disclose information relating to the impact of the accounting change. In making the disclosures required, practitioners were 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 was likely to apply to local authorities; and
- a discussion of the impact that the introduction of the new standards was likely to have on the financial statements estimated on a reasonable basis. If an estimate could not be made on a reasonable basis because, for example, the base data required to estimate the impact of the new standard was not available, then the financial statements should clearly explain that this was the case.

Accounting Policies for 2014-2015

The accounting policies for 2014-2015 were attached as an appendix to the Director of Resources report for information. These had been reviewed and were largely unchanged from the previous year apart from re-dating for the 2014-2015 financial year and updating for the Efficiency Support Grant:-

- Efficiency Support Grant was a revenue grant paid by Central Government in 2013/14 and 2014/15. It was paid to authorities who would otherwise see a reduction in 'revenue spending power' of more than 8.8% in 2013/14 or 6.9% in 2014/15.

RESOLVED:- To approve the Accounting Policies for the Council's 2014-2015 Statement of Accounts.

64 – Going Concern

The Director of Resources reported that the Council was required to assess and determine that it was appropriate to prepare the financial statements on a going concern basis. The review should take account of all available information about the future, which was at least, but not limited to the next twelve months from the end of the reporting period.

The accounts of the Council for the period 1st April, 2014 to 31st March, 2015 would be prepared on a going concern basis. This basis assumed that the Council would be able to realise its assets and liabilities in the normal course of business and that it would continue in business for the foreseeable future.

The Executive Director and the Director of Resources had considered all relevant factors and determined that the going concern concept does apply to the Council.

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

65 – Catering Contract Update

The Director of Resources submitted a report providing an update on the Catering Contract which was let to a new provider in July 2013. The contract consisted of catering and cleaning at the Forum and the Dock Museum, with a vending service at the Park Leisure Centre.

The Dock Museum Manager had confirmed that invoices from the new provider reflected actual costs and that the provider had made an effort to have menus that reflected local produce, with menus being refreshed to reflect changing seasons and demand.

The Forum Manager had confirmed that the support from senior personnel was very proactive and that marketing was good. The provider was keen to action ideas and suggestions that were put forward; quarterly review meetings were held between the Council and the provider to develop the business and compliment other Forum activities.

Financially, the Council had saved £40k in the first year of the contract.

RESOLVED:- To note the report.

66 – Risk Management

The Corporate Support Manager attached as an appendix to his report, the Risk Register for January 2015. He reported that the register continued to focus on those business critical risks which were under the control of the Council.

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

For Corporate Risk C2; the following was added to the mitigation column - The incoming Administration of May 2015 would agree a new Budget Strategy for 2016-2017 to 2019-2020.

For Corporate Risk C6; the potential impact was changed - Increasing numbers of residents experiencing low incomes and risk homelessness.

The following changes were made to the mitigating actions:-

- Reduced grant for the Local Council Tax Reduction Scheme were not passed on as reduction in entitlement;
- Continue to invest in group repair schemes to enhance the properties and environment; and
- Continue to offer disabled facilities grants and disabled adaptations.

For Corporate Risk C8, the following was added to the potential impact - The Council may face legal challenge, receive an adverse opinion from the external auditors or experience reputational damage.

The following was added to the mitigating actions - The Constitution, Local Code of Governance and Annual Governance Statement.

Responsibility for the risk was changed from Director of Resources to Executive Director.

For Corporate Risk C9 the following was added to the mitigating actions - The H&S Management Board and the H&S Working Group to meet jointly to review the current arrangements.

For Corporate Risk 14 the responsibility was changed from Director of Resources to Executive Director.

Management Board has agreed a number of Operational Risks and these were attached as an appendix to the Corporate Support Manager's report. The Operational Risks would be used to inform the development of the Council's Business Continuity Plan.

The only change to the Operational Risk Register by Management Board in January was to move responsibility for Operational Risk 06 from the Director of Resources to the Assistant Director - Housing.

RESOLVED:- To note the report.

67 – Code of Corporate Governance

The Corporate Support Manager provided Members with the final version of the Code of Corporate Governance.

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

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

The framework was designed as a reference document for those who developed governance codes for the public sector when updating and reviewing their own codes. The framework provided a shared understanding of what constituted good governance in the public sector.

The draft version was presented to Management Board at their meeting in January 2015. The Assurance Group had reviewed the code and provided their feedback.

Some minor changes had been made to the wording of the document but they did not impact on its content. The Code of Corporate Governance was attached as an appendix to the report.

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

68 – Monitoring Priority 1 Recommendations

The Corporate Support Manager reported that Internal Audit undertook reviews of 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. To date there had not been any additions to this list in 2014/15.

There was an outstanding Priority 1 recommendation from 2012/13 relating to the Council's business continuity arrangements. The Council's business continuity arrangements were agreed by Management Board at their meeting in November 2014. The Council's Business Continuity Plan was adopted by the Executive Committee in January 2015.

The disaster recovery arrangements involved transferring operations to the Park Leisure Centre if the Council's functions could not be operated from the Town Hall.

This was part of a larger project to upgrade the Council's Wider Area Network (WAN) system. Under the new arrangements the Council's data would be stored using a replicate Storage Area Network (SAN) which was remote from the Town Hall. The data would be accessed from the Leisure Centre via a microwave repeater. Essential staff would migrate to the Leisure Centre to deliver the Council's priority services. It was anticipated that the Council would be able to deliver these priority services within 72 hours of any major disruptions which impacted on the operability of the Town Hall.

RESOLVED:- To note the report.

69 – Internal Audit – Soccer Centre Report

The Director of Resources reported that Internal Audit had completed a number of audits in accordance with the approved Annual Plan.

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

This report presented the Internal Audit final report on the Soccer Centre, formerly the all-weather pitch and was attached as an appendix to the report.

This final report contained responses that would be followed up at the Audit Committee in June 2015. Management would have met with Pulse by then and the additional information/clarification would have been received.

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

RESOLVED:- To note the report.

The meeting closed at 4.00 p.m.

		Part One
AUDIT COMMITTEE		(D) Agenda Item 7
Date of Meeting:	18th June, 2015	
Reporting Officer:	Director of Resources	
<p>Title: Audit Committee Terms of Reference</p> <p>Summary and Conclusions:</p> <p>The Audit Committee Terms of Reference are set out in this report. Minor changes to reflect management changes are reflected in the updated Terms of Reference which are taken from the Council's constitution.</p> <p>Recommendations:</p> <p>Members are recommended to receive and note the report.</p>		

Report

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

Audit Activity

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

Regulatory Framework

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

Accounts

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

Background Papers

Nil

AUDIT COMMITTEE		<u>Part One</u> (D) Agenda Item 8
Date of Meeting:	18th June, 2015	
Reporting Officer:	Director of Resources	
<p>Title: Audit Committee Work Plan</p> <p>Summary and Conclusions:</p> <p>This report sets out the Work Plan for the Audit Committee for 2015-2016. Two items were presented early at the 5th March, 2015, Audit Committee and this is noted within the Work Plan.</p> <p>Recommendations:</p> <p>Members are recommended to agree the Work Plan for 2015-2016.</p>		

Report

The Audit Committee Work Plan is set out in **Appendix 1** and will be the basis for the agenda of the meetings in 2015-2016.

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 2015-2016.

Background Papers

Nil

Audit Committee Work Plan 2015-2016

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 2015-2016

Terms of Reference	Reporting Officer	Report	Meeting			
			Jun	Sep	Dec	Mar
To maintain an overview of Financial Regulations.	Director of Resources	Annual Review				✓
To maintain an overview of Contract Standing Orders.	Director of Resources	Annual Review				✓
To maintain and overview of anti-fraud policies.	Director of Resources	Annual Review				✓
To consider a report on the Internal Audit function.	Director of Resources	Annual Review	Presented to 5 th March, 2015, Audit Committee.			
To review the effectiveness of the Audit Committee.	Director of Resources	Annual Review of Audit Committee Effectiveness	Presented to 5 th March, 2015, Audit Committee.			
		Audit Committee Work Plan				✓
		Audit Committee Terms of Reference	✓			
To consider and approve the Annual Governance Statement.	Policy Review Officer	Draft Annual Governance Statement	✓			
		Final Annual Governance Statement		✓		
To consider and monitor corporate governance arrangements.	Policy Review Officer	Monitoring Report (Governance)			✓	✓
		Code of Corporate Governance Annual Review				✓
		Monitoring Report (Priority 1 recommendations)	✓	✓	✓	✓
To monitor and review risk management arrangements.	Policy Review Officer	Monitoring Report	✓	✓	✓	✓
To monitor the Councils' complaints process.	Monitoring Officer	Annual Report		✓		

AUDIT COMMITTEE		<u>Part One</u> (D) Agenda Item 9
Date of Meeting: 18th June, 2015		
Reporting Officer: Director of Resources		
<p>Title: External Audit Fee Letter 2015-2016</p> <p>Summary and Conclusions:</p> <p>The fee letter for 2015-2016 has been received from the External Auditor. The Main Audit fee has reduced by £17,040 for 2015-2016.</p> <p>Recommendations:</p> <p>Members are recommended to note the External Audit fee for 2015-2016.</p>		

Report

The External Audit fee letter for 2015-2016 is attached at **Appendix 2**.

Members will note that the Main Audit fee for 2015-2016 is £51,119, this is a reduction from 2014-2015 of £17,040 which has come from the procurement exercises run by the Audit Commission across both Local Government and Health sectors.

Together with the Grant Certification fee of £13,360, the total External Audit fee is £64,479 for 2015-2016.

Members are recommended to note the External Audit fee for 2015-2016.

Background Papers

Nil



Phil Huck
Executive Director
Barrow Borough Council
Town Hall
Duke Street
Barrow in Furness
LA14 2LD

Grant Thornton UK LLP
4 Hardman Street
Manchester
M3 3EB

T +44 161 953 6900

www.grant-thornton.co.uk

20th April 2015

Dear Phil,

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2015/16 has been set by the Audit Commission at £51,119, which compares to the audit fee of £68,159 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Scope of the audit fee

The scale fee covers:

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

Value for Money conclusion

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

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

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by the Audit Commission at £13,360.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2015	12,779.75
December 2015	12,779.75
March 2016	12,779.75
June 2016	12,779.75
Grant Certification	
December 2016	13,360
Total	64,479

Outline audit timetable

We will undertake our audit planning and interim audit procedures in November 2015 to February 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in August 2016 and work on the whole of government accounts return in September 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2015- February 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and the VfM conclusion

Final accounts audit	June to Sept 2016	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	Jan to Sept 2016	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2016	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	June to December 2016	Grant certification report	This report summarises the findings of our grant certification work

Our team

The key members of the audit team for 2015/16 are:

	Name	Phone Number	E-mail
Engagement Lead	Jackie Bellard	0161 234 6394	Jackie.Bellard@uk.gt.com
Engagement Manager	Neil Krajewski	0161 234 6371	Neil.P.Krajewski@uk.gt.com
In-Charge Auditor	Maeve Morgan	0161 953 6446	Maeve.T.Morgan@uk.gt.com

Additional work

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

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard our Public Sector Assurance regional lead partner (sarah.howard@uk.gt.com).

Yours sincerely

Jackie Bellard,
Engagement Lead
For Grant Thornton UK LLP

cc Sue Roberts, Borough Treasurer

		<u>Part One</u>
AUDIT COMMITTEE		(D)
Date of Meeting: 18th June, 2015		Agenda
Reporting Officer: Director of Resources		Item
		10
<p>Title: Internal Audit Final Reports</p> <p>Summary and Conclusions:</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>Recommendations:</p> <p>Members are recommended to receive the Internal Audit final reports and raise any questions.</p>		

Report

There are four final reports for consideration by Members:

- 14-14 Accounts Receivable **Appendix 3**
- 14-19 Housing Rents **Appendix 4**
- 14-30 Kennels **Appendix 5**

IT Audit

- IT-57 IT General Controls **Appendix 6**

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 14-14
ACCOUNTS RECEIVABLE

Executive Summary

Introduction

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

The Finance Department is responsible for the initial recovery of unpaid debts; if unsuccessful, relevant cases are referred to the law firm DWF which operates a debt collection agency.

At 24 February 2015, the Council had raised 3,352 invoices with a value of approximately £4 million; the balance on the Receivables Ledger was £738,897. The writing off of irrecoverable debts is approved at the end of each financial year; in 2013/14, these amounted to £36,842.

Audit Objectives

An audit of this system forms part of the agreed 2014/15 programme. The audit objectives were to evaluate and test the internal controls over the accounts receivable 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 the operation of key controls.

Audit Conclusion – *Substantial Assurance*

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

- ensuring action is taken to address issues identified in the Sundry Billing & Recovery Review from August 2014.

We have also made one Priority 3 recommendation which concerns:

- ensuring unrecovered debts are referred to DWF on a timely basis and regular updates are obtained from DWF which are routinely documented.

Key Points
Substantial Assurance
One important issue
One minor issue
Six previous recommendations

Internal Audit reviewed the six agreed recommendations made in the previous audit report 13-11, dated March 2014. One recommendation is outstanding and concerns:

- ensuring all electronic Accounts Receivable Transaction Request forms are authorised and dated by an appropriate signatory (Priority 3).

Two recommendations have only been partially implemented and these relate to ensuring:

- for each "invoice batch run" adequate evidence authorising the raising of invoices is retained; the debtor database and print batch totals are reconciled and confirmation of invoices raised and the Oracle batch control sheet is consistently maintained (Priority 3); and
- credit/cancellation of invoices are only performed when requested by an authorised officer and relevant documentation relating to the transaction is retained (Priority 3).

Internal Audit also reviewed the two outstanding recommendations made in the previous audit report 12-12, dated February 2013. Both recommendations remain outstanding and relate to:

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

Finally, Internal Audit reviewed the outstanding recommendation made in audit report 09-14, dated May 2010. The recommendation remains outstanding and concerns:

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

Management Response

We have received a constructive response from the Financial Services Manager, accepting the two 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 14-19
HOUSING RENTS

Executive Summary

Introduction

The Council currently owns and manages 2,663 dwellings and 489 garages. The total stock is relatively static as Right to Buy sales of homes have declined in recent years. The Housing Department is responsible for the monitoring and maintenance of the Council's Housing Rent Account for these properties.

The annual dwellings rent debit for 2014/15 is approximately £10.6m. At 31 December 2014, current tenant arrears were £546,319 (£474,370 as at 31 December 2013) equating to 4.9% of rent owed, compared to a target of 3.0% for 2014/15. At the same date, former tenant arrears were £177,619, equivalent to 1.6% of rent owed, against a target of 2.0%.

By agreement with United Utilities, the Council began collecting water charges from its tenants on 1 April 2013 within its rent collection process. From the same date, the Government's changes to housing benefit reduced the entitlement to rent rebate for those homes deemed to be under occupied, based upon the new regulations. These two factors have had an impact on the collection of rent and associated charges, together with the procedures in place to pursue arrears; particularly as income is now due from many tenants who had previously been entitled to full rent rebate. The situation is likely to be exacerbated with the ongoing replacement of Housing Benefit by Universal Credit.

Audit Objectives

An audit of this system forms part of the agreed 2014/15 programme. The audit objectives were to evaluate and test the internal controls over the 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 1 recommendation, which relates to:

- the Business Support Manager providing an explanation for the apparent divergence from Government guidance regarding annual rent increases; and confirm it is an isolated case.

Key Points
Substantial Assurance
One major issue
One important issue
Two minor issues

In addition we have made one Priority 2 recommendation which concerns:

- the Business Support Manager ensuring:
 - individual account write off balances greater than £1,000 are separately identified on the write off schedules submitted to the Director of Resources for approval;
 - approval for write offs is obtained from the Director of Resources prior to write off and that this approval is evidenced; and
 - gross write offs are reported accurately to the Housing Management Forum.

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

- the Business Support Manager should ensure the rent suspense account is reviewed on a weekly basis, with evidence of the review retained and cleared promptly; and
- the Council should ensure evidence is retained to demonstrate the correct number of rent increase letters have been posted to tenants.

Internal Audit also reviewed the one agreed recommendation made in Audit Report 13-16, dated March 2014: the recommendation has been fully implemented.

Management Response

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

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 14-30
KENNELS

Executive Summary

Introduction

The Council's Street Care team are responsible for the management of the Kennels, which are used to house stray dogs found throughout the Borough. The Council has responsibility for the stray dogs for a maximum of seven days. During this time the dogs may be reclaimed for a fee based on the number of days the dog has been housed in the Kennels. Fee income, usually cash, is taken by staff at the Kennels when dogs are reclaimed during this period. The dogs become the responsibility of Animal Welfare or Animal Refuge after seven days; these charities issue vouchers to be presented at the Kennels to reclaim dogs after the initial seven day period.

Audit Objectives

A "receipt book" audit in December 2014 identified that receipt books held by the Council's Kennels had not been audited for a number of years. However, Internal Audit were unable to obtain receipt books previously issued by the Finance Department to the Kennels.

An unannounced spot check visit was therefore carried out at the Kennels by Internal Audit.

Audit Conclusion – *Restricted Assurance*

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

- the Council ensuring that all receipt books are retained and are available for inspection when required; and
- the Council ensuring that all receipts issued by officers are from an official receipt book provided by the Finance department.

We have also made four Priority 2 recommendations which relate to:

- the Street Care Manager investigating and explaining the whereabouts of the £20 cash float issued to the Kennels;
- the Council ensuring that all monies received are held securely and "paid in" on a timely basis; and that all amounts held are within the insurer's limits;

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

- the Street Care department ensuring that all sums banked from the Kennels are supported by a detailed listing of transactions which comprise the total amount banked ; and
- the Street Care Manager providing a detailed breakdown of transactions supporting the total amount held within the cash tin at the Kennels, on the date of the Internal Audit spot check; including an explanation of the presence of taxi receipts held in the cash tin.

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

- the Street Care Manager ensuring when the responsibility for the Receipt Book and cash/income is passed from one staff member to another, that a reconciliation is undertaken between the income received and receipts issued.

Management Response

We have received a constructive management response from the Street Care 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 IT 57
IT GENERAL CONTROLS

Executive Summary

Introduction

Internal Audit has developed an audit programme, covering general IT controls. The programme is based upon guidance originally provided by the Audit Commission, who defined the key areas of review. There are 12 areas in total, the completion of which enables Internal Audit to express an opinion on a wide area of IT activity, and helps to satisfy External Audit requirements for an assessment of IT general controls. Taking into account recent audit activity and the planned future programme, seven key areas were selected for this audit:

- Physical Security
- Operating Procedures and Staff Training
- Network Management
- PC Procurement, Management and Control
- Management of Contractors
- Information Assets, Management and Classification
- Project Management

Audit Objectives

The audit was agreed with management as part of the 2014/15 IT Audit coverage. The main objective of the audit is to provide reasonable assurance that adequate controls are in place over the key areas listed above.

The scope of the audit was discussed and agreed with the IT Team Leader, before the start of the audit. This was an overview of a wide area of IT activity, rather than a detailed audit review; and involved discussion with management responsible for development, implementation and operation of the controls. This included a limited review of policies, procedures and system documentation; and observation of operational activities.

Key Points
Substantial Assurance
Six Important Issues

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that there are a number of weaknesses which place some of the objectives at risk. We have identified six important issues as listed below. These concerns apart however, we found the level of controls to be reasonable; and are therefore able to provide a substantial assurance.

We have made six Priority 2 recommendations, as follows:

- Management should arrange for all visitors to be supervised, required to wear identification and to be recorded within a visitor's log.
- The Council should ensure that entry cards are not activated for server room access without prior authority from IT Services (as a minimum at least an email confirmation).
- The Council should confirm:
 - who is responsible for monitoring the door entry systems;
 - and establish the availability of related reports to effectively control access arrangements, including the production of a related policy.
- Management should reinstate suitable controls to manage the receipt and collection of deliveries. (It may be necessary to review this process and update where necessary to take account of staffing changes.).
- IT Services should investigate the use of software for a managed shutdown process, to minimise the risk of system corruption.
- IT Services should record exceptions to the current desktop strategy being implemented, and ensure that potential risks are accepted and these are signed off by management using the already agreed "business case" process for such exceptions.

Management Response

We have received a constructive management response from, the IT Team Leader, Democratic Services Manager, the Parking and Admin Manager, and Management Board accepting the six recommendations.

Acknowledgement

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

AUDIT COMMITTEE		Part One (D) Agenda Item 11
Date of Meeting: 18th June, 2015		
Reporting Officer: Director of Resources		
<p>Title: Soccer Centre Internal Audit Report</p> <p>Summary and Conclusions:</p> <p>Internal Audit reviews are performed in accordance with the approved Annual Plan. The Soccer Centre final report was presented to Members on 5th March, 2015 and this report provides an update to the management responses relating to the priority 1 issues raised.</p> <p>Recommendations:</p> <p>Members are recommended to receive the report and raise any questions.</p>		

Report

The Internal Audit Soccer Centre report was presented to Members at the meeting on 5th March, 2015. This report provides an update to the management responses relating to the priority 1 issues raised.

The original executive summary is attached as **Appendix 7** and the priority 1 issues are brought into this report (presented in italics), with the Management responses against each point.

We have made the following seven Priority 1 recommendations, which relate to Management Board:

- *confirming that:*
 - a) *the nature of the financial relationship between Pulse Fitness and Pulse Soccer Limited is appropriate; and*
 - b) *Pulse Soccer Limited has a financial standing appropriate to a contract of this size; and*

The Council is contracted with Pulse Soccer for the Soccer Centre. Pulse Fitness is a different company to Pulse Soccer. Based on the usual financial check that is completed prior to contracting, Pulse Soccer does not fulfil the criteria expected for a £600k capital project. It is unusual for this compliance not to be fulfilled prior to awarding. Management have put checks in place to ensure this does not recur.

- *explaining how the contractual terms relating to the capital sum and its repayment terms are beneficial to the Council;*

The Council recovers its funding costs through the income generated by the facility. In practice the costs of running the service are paid for from the income generated, following which the funding costs are repaid. Any surplus income is then shared between the Council and Pulse Soccer (80/20). The repayment of the investment will not be straight-line as the usage needs to be grown.

- *explaining how the contractual arrangements for the treatment of Pulse Soccer's expenditure and overheads provide sufficient benefit to the Council;*

The expenditure for the Soccer Centre for Pulse Soccer consists of staffing the centre (including payroll), cleaning, administration and marketing. The marketing campaigns are agreed with the Council. The Council has contracted Pulse Soccer to run the Soccer Centre to fulfil resourcing and this is paid from the income generated.

- *explaining how the contractual provisions relating to operating and termination costs are beneficial to, and protect the interests of, the Council;*

The operating costs are paid in relation to the direct cost of running the Soccer Centre for the Council. The termination costs only apply if there is a breach of contract and early termination is triggered by the Council.

- *explaining how the Council's financial interests have been protected in respect of potential operating losses in the Soccer Centre's operation;*

As the Council has contracted Pulse Soccer to run the Soccer Centre it has a liability to pay for the expense of that service provision. Should the income generated not cover the costs of the service provision, then the Council will fund that shortfall. This should not impact on the recovery of the Council's initial investment as this will be recovered over the life of the contract (15 years). The staffing levels are discussed through management meetings and marketing campaigns are agreed with the Council.

- *commenting on the apparent lack of transparency and detail in the costings and valuations provided to the Council, to substantiate the capital investment in the Soccer Centre; and*

There is no obligation on Pulse Soccer to provide information beyond the invoices and valuation certificates that have been provided for the capital investment.

- *assessing the cost estimate included within the Soccer Centre contract and commenting on its divergence from advice received from the Council's cost consultant.*

The costs within the contract have been accepted by the Council when the contract was signed, this was after the advice from the quantity surveyor was considered and discussed with Pulse Soccer.

These priority 1 issues related solely to this contract and are also reported in the 'Monitoring of Priority 1 Recommendations' report within this agenda for completeness. There are no further actions to complete.

Members are recommended to receive the report and raise any questions.

Background papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 77
ALL WEATHER PITCH AND SOCCER CENTRE

Executive Summary

Introduction

This contract is for the replacement of the all weather soccer pitch at the Park Leisure Centre, the renovation of an existing building to form a Soccer Centre and its operation on a form of income sharing basis. The operator of the Leisure Centre gym, Pulse Fitness Limited, originally made a proposal for a £1.26m development of this facility in 2009. Subsequently, in 2012, the company advised the Council that a scheme of this magnitude was no longer viable as it could not obtain the necessary funding at favourable rates of interest. The Council therefore requested Pulse to review the design in order to reduce the capital costs to a level which could be financed by prudential borrowing. Having agreed the principle of the company's revised scheme, Council decided to allocate £600,000 of funds to the project and award the contract to Pulse Fitness, without exposing the service to competition.

The finalised contract requires the Council to advance to Pulse the company's costs in carrying out the work, stated as £600,000 or the actual costs if higher. Pulse procured and managed the construction and will operate the Centre for a fifteen year period. The advance is repayable in instalments over the life of the contract, referred to as the funding costs. Both the Council and Pulse have an option to renew the contract for a further five years on the same terms, exercisable on three separate occasions.

In respect of ongoing expenditure, the Council guarantees to pay Pulse's direct and indirect operating costs, including an apportionment of the company's central overhead and management costs. The company's operational costs are offset by the income from the facility. Under the contract, income is first used to meet Pulse's funding costs, then the company's operating costs; any remaining income (the net surplus) is shared 80% to the Council, 20% to Pulse. However, if there is a net loss (a shortfall), this would be met in full by the Council. The Council is therefore underwriting the company's full funding and operating costs.

Audit Objectives

Internal Audit are required under the Council's Financial Regulations to consider for review all contracts prior to the Final Account being agreed with the Contractor. The Director of Resources through the Head of Internal Audit will select a sample of contracts for higher scrutiny.

In respect of this contract, Internal Audit have reviewed progress to the stage of final completion of the Soccer Centre. The audit objectives were to review compliance with the

Key Points
Restricted Assurance
Seven major issues
Eleven important issues
Two minor issues

Council's Contract Standing Orders and to examine the finalised contract and documentation supporting the final capital payment.

Audit Conclusion – Restricted Assurance

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

We have made the following seven Priority 1 recommendations, which relate to Management Board:

- confirming that:
 - a) the nature of the financial relationship between Pulse Fitness and Pulse Soccer Limited is appropriate; and
 - b) Pulse Soccer Limited has a financial standing appropriate to a contract of this size; and
- explaining how the contractual terms relating to the capital sum and its repayment terms are beneficial to the Council;
- explaining how the contractual arrangements for the treatment of Pulse Soccer's expenditure and overheads provide sufficient benefit to the Council;
- explaining how the contractual provisions relating to operating and termination costs are beneficial to, and protect the interests of, the Council;
- explaining how the Council's financial interests have been protected in respect of potential operating losses in the Soccer Centre's operation;
- commenting on the apparent lack of transparency and detail in the costings and valuations provided to the Council, to substantiate the capital investment in the Soccer Centre; and
- assessing the cost estimate included within the Soccer Centre contract and commenting on its divergence from advice received from the Council's cost consultant.

In addition, we have made eleven Priority 2 recommendations, concerning Management Board:

- commenting on the reasonableness and acceptability of the amount of professional fees, project management costs and overheads charged by Pulse to the capital investment;
- reviewing the access permitted to Pulse's accounting records to enable the Council to effectively verify the income and expenditure of the Soccer Centre;
- explaining why an indemnity clause was not inserted in the Soccer Centre contract, although this had been identified as a safeguard for the Council;

- explaining how the Council has achieved value for money from its contract with Pulse Soccer Limited, given that the service was not exposed to any form of competition;
- requesting Pulse to provide the “missing” invoices to complete the information required to substantiate its record of expenditure on capital works;
- confirming that the amounts recorded as professional fees for the capital work are correctly chargeable to the reduced Soccer Centre scheme;
- seeking information from Pulse in order to undertake a detailed comparison of items in the capital contract sum with the outturn costs;
- requesting Pulse to amend the Soccer Centre contract so that it includes all of the requirements of the Council’s Contract Standing Orders, and ensure this is the case for future contracts;
- explaining the reasons for replacing the payment provisions within the agreed contract by a more generous payment schedule and confirming that this change can be authorised;
- ensuring that there is a clear distinction between Pulse Soccer and Pulse Fitness in transactions relating to the Soccer Centre; and
- ensuring that appropriate financial checks are carried out consistently on suppliers before awarding contracts.

Finally, we have made the following two Priority 3 recommendations, which relate to Management Board:

- a) clarifying and confirming the role of Richard Coates, consultant, in the management of this contract; and
- b) confirming that the Council has had any necessary technical assistance to protect its interests during the course of contracted construction works; and
- ensuring that contract management checklists are completed fully before submission to Internal Audit for review.

Management Response

We have received a constructive management response from Management Board accepting thirteen recommendations and partially accepting seven recommendations.

Acknowledgement

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

CONTRACT PARTICULARS

Contract Title:	All Weather Pitch Refurbishment and Soccer Centre Development
Contract Form:	Ad hoc
Contractor	Pulse Soccer Limited
Architect/Client Officer:	Assistant Director Community Services
Quantity Surveyor:	N/a
CDM Co-ordinator:	Appointed by Contractor
Estimated Costs:	£600,000 construction costs (or actual if higher)
Contract Sum:	£600,000 capital costs
Date for Possession:	11 April 2013
Date for Completion:	Not specified
Date of Practical Completion:	9 October 2013
Delay in Completion:	N/a
Extension of Time Granted:	N/a
Liquidated and Ascertained Damages provision/paid/received:	N/a
Minimum Insurance Cover Required	Public Liability £5 million Employers Liability £unspecified
Minimum Insurance Cover Confirmed	Yes
Minimum Bond Required	Not required
Retention Amount	Provision for Retention not included in the contract
Submitted Final Account Sum:	£599,000
Audited Final Account Sum:	£599,000
Percentage increase/decrease: Submitted Final Account against Contract Sum.	N/a

		<u>Part One</u>
AUDIT COMMITTEE		(D)
Date of Meeting: 18th June, 2015		Agenda
Reporting Officer: Director of Resources		Item
		12
<p>Title: Internal Audit Annual Report 2014-2015</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Annual Report for 2014-2015 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive and note the Internal Audit Report for 2014-2015.</p>		

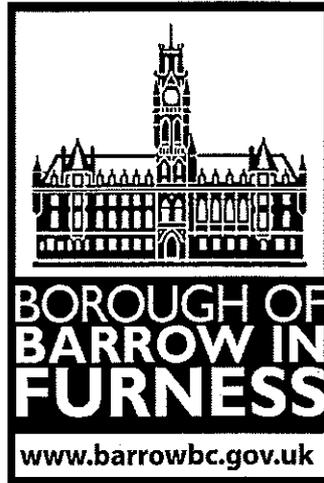
Report

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

The Internal Audit Annual Report for 2014-2015 is attached at **Appendix 8**. The Head of Internal Audit will present the report to Members.

Background Papers

Nil



BARROW BOROUGH COUNCIL

INTERNAL AUDIT ANNUAL REPORT

2014/15

June 2015

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EXECUTIVE SUMMARY

Background

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

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

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

Scope of Responsibility

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

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

Quality Assurance

Internal Audit operates in accordance with its Audit Charter which includes a defined quality assurance process, involving all documentation being subject to peer review by a different Auditor within the team and subsequent sign-off by the Head of Internal Audit. This process has been consistently maintained throughout 2014/15 and applied to each individual audit assignment. Additionally, Internal Audit has met all performance measures relevant to the service during the year.

Review of Effectiveness of Internal Audit

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal audit. The review of the effectiveness of the system of internal audit is informed by the work of the internal auditors and the senior managers within the authority who have responsibility for the development and maintenance of the internal control environment; and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports. The result of this review is that the Internal Audit service has operated satisfactorily throughout 2014/15.

Basis of Assurance

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

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

Head of Internal Audit Annual Opinion Statement

This opinion statement is provided in support of the Council's Annual Governance Statement as required under the Accounts and Audit Regulations 2011. The opinion is derived from work carried out by Internal Audit during the year as part of the agreed Internal Audit Plan. The Plan for 2014/15 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the internal control environment.

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

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

2014/15 Year Opinion

This report provides reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2014/15.

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

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

Co-operation

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

Keith Jackson
Director
Furness Audit

1. SERVICE BACKGROUND

1.1 Our reporting lines

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

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

1.2 Professional standards

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

1.3 Our audit process

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

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

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

1.4 2004/15 Audit Plan

The Audit Plan for 2014/15 was derived from a needs assessment of all agreed auditable areas within the Council. Each area is prioritised by significance band of which there are 5, with band 1 being the highest. This has resulted in an annual plan which concentrates on reviewing all significance band 1 and 2 audits (annual audits) with the remaining time allocated on a risk assessed and

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

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

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

2. REVIEW OF PERIOD

2.1 Progress against 2014/15 Annual Plan

A detailed analysis of the current situation regarding the 2014/15 Plan is provided in Appendix A.

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

	Percentage of systems covered		Percentage of risk covered	
	2014/15	2013/14	2014/15	2013/14
Planned	38%	34%	77%	70%
Achieved	39%	35%	80%	78%

2.2 Liaison with External Audit

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

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

2.3 Fraud Hotline

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

Calls received:	Revenues/ Benefit related	Staff Related	Other	Total
2014/15	73	1	0	74
2013/14	106	0	7	113

3. ANNUAL STATEMENT OF ASSURANCE

In order to help management evaluate the significance of each assignment, we allocate each audit into a significance band which is simply a method of assessment and prioritisation. For example significance band 1 audits have the greatest "significance" or priority in terms of audit coverage. At the conclusion of each audit, we give an overall opinion on the level of assurance which we consider is provided by the controls in place within the system audited. The following classification of assurance levels has been adopted:

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

The following table summarises the assurance levels recorded in final reports relating to the years 2014/15 and 2013/14. The majority of Council systems have achieved the level of Substantial Assurance; see Appendix A:

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2014/15	24	1	4	21	88	2	8	0	0
2013/14	22	2	9	20	91	0	0	0	0

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

4. RECOMMENDATIONS AND FOLLOW UP IN THE YEAR

4.1 Introduction

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

Priority 1 Major issues that we consider need to be brought to the attention of senior management.

Priority 2 Important issues which should be addressed by management in their area of responsibility.

Priority 3 Detailed issues of a relatively minor nature.

4.2 Recommendations made

The following table summarises the number of audit recommendations made in our Final Reports issued during 2014/15, and the management responses, analysed in accordance with the above categories.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2014/15	110	10	61	39
Fully Accepted	89	7	46	36
Partly Accepted	21	3	15	3
Not Accepted	0	0	0	0

Comparative figures for 2013/14 are as follows:

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

4.3 Implementation of recommendations

During the year we have reported on the implementation of 87 agreed audit recommendations made in previous reports. The results are as follows:

	Fully Implemented	Not Implemented	Overtaken By Events	TOTAL
2014/15	37	36	14	87
2013/14	57	37	27	121

For recommendations not fully implemented revised dates have been agreed with management for their implementation. Internal Audit will further review progress on their implementation during 2015/16.

5. QUALIFICATIONS TO THE OPINION

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

APPENDIX A

PROGRESS AGAINST AUDIT PLAN 2014/15

Report Number	Audit Assignment	System Significance Band	Status	Assurance
14-01	Income Collection (The Forum)	1	Final	Substantial
14-02	Housing Benefits	1	Final	Substantial
14-03	Council Tax	1	Final	Substantial
14-04	Business Rates (NNDR)	1	Final	Substantial
14-05	Risk Management	1	Final	Substantial
14-08	Contract Management Checklist Coverage	1	Ongoing	N/a
14-09	Performance Management	2	Final	Substantial
14-10	Budgetary Control	2	Final	Substantial
14-11	Treasury Management	2	Final	Unqualified
14-12	Car Park Meter Income	2	Final	Substantial
14-13	Payroll (inc. Expenses)	2	Final	Substantial
14-14	Accounts Receivable	2	Final	Substantial
14-15	Corporate Control/Governance	2	Complete	N/a
14-16	Main Accounting System & Periodic Controls	2	Q4 on-going	N/a
14-17	Procurement (inc. Ordering)	2	Complete	N/a
14-18	Accounts Payable	2	Final	Substantial
14-19	Housing Rents	2	Final	Substantial
14-20	Standing Orders/Financial Regs/Anti Fraud	2	Complete	N/a
14-21	Housing Non Routine Maintenance	2	Transferred to Contract Audit	N/a
	RISK ASSESSED SYSTEMS			
14-26	Capital Grant Determination No 31/2295 Declaration - Capital Hardware Funding		Complete	N/a
14-28	Empty Homes Grant		Complete	N/a
14-29	Capital Grant Determination No 31/2259 Declaration - Electoral Management Software (EMS)		Complete	N/a

Report Number	Audit Assignment	System Significance Band	Status	Assurance
14-30	Dog Kennels		Final	Restricted
14-31	Capital Grant Determination No. 31/2354 – Hardware Funding		Complete	N/a
	DESIGNATED ANNUAL AUDIT ACTIVITY			
14-06	Receipt Book Checks		Final	Substantial
14-22	NFI Responsibilities		Ongoing	N/a
14-23	Sundry Billing & Recovery Review		Complete	N/a
14-25	Mayor's Account		Complete	N/a
14-27	Benefit Certification		Complete	N/a
	Community Organisations			
-	Hawcoat		Complete	N/a
-	Abbotsvale		Complete	N/a
-	Dalton Community Association		Complete	N/a
-	Barrow Playing Fields Users Association		Delayed due to lack of information	N/a
	IT ENVIRONMENT AUDITS			
IT 55	ITIL – IT Infrastructure Library	1	Final	Substantial
IT 56	Implementation Review:	1	Complete	N/a
IT 57	General Controls	1	Final	Substantial
	CONTRACT AUDIT			
CR77	Soccer Centre, Park Leisure Centre		Final	Restricted
CR80	Roa Island Jetty		Stage 3 review complete	
CR81	2011/15 CHP Griffin Roofing Improvements		Final	Substantial
CR82	North Central Group Repair Scheme		Final	Substantial
CR84	Barrow Cemetery NW Extension		Stage 3 review complete	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
CR85	Catering and Events Management		Final	Substantial
CR86	Town Hall Roof		Stage 4 review complete	
CR87	Craven House Roof		Draft	No Assurance
CR88	Heating and Ventilation Contract		Final	Substantial
CR89	Farm Street Refurbishment		Final	Substantial
CR90	Re-Roofing Units 9 & 10 James Freel Close		Stage 3 review complete	
CR91	Group Repair (Extension) Rawlinson St		Commenced	
CR92	Market Hall		Final	Substantial
CR93	2014/17 CHP Roosegate Roofing		Stage 2 review complete	
CR94	2014 CHP Devonshire Road Improvements		Commenced	
CR95	Barrow Town Hall Ground Floor Alterations and Refurbishment		Stage 3 review complete	
CR96	West Shore Coastal Defence		Stage 2 review complete	
CR97	Maritime Streets Landscaping Design		Stage 2 review complete	
(14-07)	IMPLEMENTATION REVIEW:			
08-27	Housing Maintenance (Responsive Repairs)		Complete	
10-27	Non Routine Public Buildings Maintenance		Complete	
06-09	Refuse Collection incl Recycling		Complete	
11-25	Insurance		Complete	
11-28	Grounds Maintenance		Complete	
13-01	Income Collection		Complete	
12-21	The Forum		Complete	
IT49	Code of Connection		Complete	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
<i>IT51</i>	Information Security Policy		Complete	
<i>IT52</i>	Infrastructure Management		Complete	

AUDIT COMMITTEE		Part One (D) Agenda Item 13
Date of Meeting: 18th June, 2015		
Reporting Officer: Corporate Support Manager		
<p>Title: Risk Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with an update on changes to the Council's risk registers.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>		

Report

The Risk Management Policy has been reviewed and updated to reflect the recommendations made by internal audit. The policy was approved by Management Board at its meeting held on 5th June, 2015. The policy will be presented to the Executive Committee at their meeting on 24th June, 2015.

The risk register for June 2015 is attached as **Appendix 9** it continues to focus on business critical risks which are under the control of the Council.

The risk register was reviewed by Management Board at their meeting on 5th June 2015 and the following changes were made:

For corporate risk C4; the following was added to the mitigation column-

- An external review of sickness absence policy will be undertaken
- An external review of the occupational health provision will be undertaken.

For corporate risk C7; the following changes were made –

- The risk title has been changed to: Delivery of waterfront barrow regeneration programme.
- An additional mitigating action has been added which is to commission market research from Gerald Eve and Bruce Owen.
- An additional mitigating action has been added which the LEP secured £750k to provide initial access into the site.

For corporate risk C9, the following mitigating action has been added –

- The Health and Safety Systems will be kept under review.

For corporate risk C12 the following were added to the mitigating actions –

- 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.

For corporate risk C15 the following has been added to the mitigating actions –

- Off-site replicate server established.

Operational Risks

Management has agreed a number of operational risks and these are presented in **Appendix 10**. The operational risks will be used to inform the development of the Council's business continuity plan.

For operational risk O6 the following has been added to the mitigating actions –

- A stock survey is conducted on a regular basis.
- The housing department's maintenance team closely monitor successful delivery of the maintenance contract.

Background Papers

Nil.

Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score	Changes
C1 Impact of changes to the benefit system on income for the housing Department	5	5	25	75% of the Services income is received through Housing Benefit. At 2012 rents this equated to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income. The loss of housing benefit for under occupation of bedrooms is also having an impact on tenants.	A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan. The Service has recently reviewed it's Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected. A new post has been created to assist with income recovery it is anticipated that this post will be cost neutral. Housing officers carry out a pre-tenancy interview to understand who their customers are and how it will be best to engage with them in the future.	Assistant Director - Housing	5	4	20	
C2 Future financial stability and sustainability of the Council.	5	5	25	Without sufficient funding plans discretionary services may be at risk of reduction or closure. Statutory services may be delivered with reduced service levels. Staff redundancies may not be avoidable. Funding to external bodies may be reduced. The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans. The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.	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. 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. 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. The Council produced a longer term financial plan in 2014-2015. The impact of restructuring is closely monitored by Management Board, including recruitment and resourcing challenges in statutory services. The Council has a Workforce Strategy. 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. The incoming Administration of May 2015 will agree a new Budget Strategy for 2016-2017 to 2019-2020.	Executive Director and Director of Resources	4	4	16	In red

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. Failure to deliver key services. Public dissatisfaction with the service. Public health risk.	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 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	Director of Resources	4	3	12	
C5	Performance of service delivery contractors.	3	3	9			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"> 1. Continue to support and work with advice agencies throughout the Borough to assist residents to receive appropriate advice. 2. Maximise the Discretionary Housing Payments fund and assist residents in the most challenging financial circumstances to look for longer-term solutions to their problems. 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. 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	In red
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	<p>The Council may lose focus on the purpose of the authority and the wider outcomes for the community</p> <p>The Council may face legal challenge, receive an adverse opinion from the external auditors or experience reputational damage.</p>	<p>The Constitution, Local Code of Governance and Annual Governance Statement.</p> <p>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</p>	Executive Director	2	2	4	
C9	Maintain H&S arrangements	2	5	10	<p>Members of the public and Council employees could be put at risk by Council operations</p>	<p>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.</p> <p>All staff have received electronic H&S training.</p> <p>The H&S Management Board and the H&S Working Group to meet jointly to review the current arrangements.</p>	Executive Director	2	3	6	In red
C10	Capacity to undertake statutory inspections, investigations and enforcement action.	5	5	25	<p>Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.</p>	<p>Consultancy services are brought in as required for specific issues or to backfill where Council officers deal with complex cases</p>	Assistant Director - Regeneration and Built Environment	4	4	16	
C11	Legal challenge to Procurement of contracts	2	3	6	<p>Unexpected legal costs and fines.</p> <p>Potentially no agreed contract to cover service due to previous contract lapsing.</p>	<p>Training of staff involved in high value procurement and audit checklists.</p> <p>The Council has introduced corporate logging of contracts</p>	Assistant Director - Regeneration and Built Environment	1	3	3	
C12	Information Technology security breach	3	5	15	<p>Corrupt systems and loss of data.</p> <p>Withdrawal of Public Sector Network access. System downtime impacting on service delivery.</p>	<p>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.</p>	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 June 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> <p>The Council has a Business Continuity Plan.</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>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 June 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 June 2015

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O6	Maintenance of Council housing stock to decent homes standard.	2	5	10	Living conditions and safety of tenants may be adversely affected.	<p>The housing maintenance programme is provided by a contractor.</p> <p>The housing department's maintenance team closely monitor successful delivery of the maintenance contract. A stock survey is conducted on a regular basis.</p>	Assistant Director - Housing	1	3	3
O7	Availability of homeless accommodation.	2	5	10	Nowhere to temporarily house homeless people.	<p>The Council has arrangements with several local hotels and has an account set up with the Travel Lodge now set up.</p> <p>The Council also maintains some dispersed accommodation.</p>	Assistant Director - Housing	1	3	3
O8	Unplanned outage of the cremator.	2	5	10	<p>Services are pre-booked and there would be disruption to users in rescheduling or transferring the services.</p> <p>There would be a loss of income.</p>	<p>The cremator is regularly checked by crematorium staff and by the contracted maintenance provider.</p> <p>Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined.</p>	Assistant Director - Community Services	2	3	6
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 & 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

		<u>Part One</u>
AUDIT COMMITTEE		(D)
Date of Meeting: 18th June, 2015		Agenda
Reporting Officer: Corporate Support Manager		Item
		14
<p>Title: Annual Governance Statement</p> <p>Summary and Conclusions:</p> <p>Provide Members with the draft Annual Governance Statement for 2014/15.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and agree to submit the report and supporting evidence to the District Auditors for their consideration.</p>		

Report

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

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

The following members of staff were involved in preparing the Annual Governance Statement for 2014/15.

Executive Director: Head of Paid Services.

Director of resources: S151 Officer.

Assistant Director - Community Services

Assistant Director - Regeneration and the Built Environment

Assistant Director – Housing

Democratic Services Manager: Monitoring Officer.

Internal Audit, Manager.

Policy Review Officer.

The governance group

The Annual Governance Statement is attached as **Appendix 11**

The supporting principles are attached as **Appendix 12**

Background Papers

Nil



Version Control: Version 2	
Document Name:	Annual Governance Statement
Version:	Version 1 (draft)
Author:	Corporate Support Manager
Approved by:	
Date Approved:	
Review Date:	

Annual Governance Statement – 2014-2015

A. Scope and Responsibility

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

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

B. Governance

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

C. the Council's Governance Framework

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

The Council's governance framework comprises the systems and processes, and the culture and values, by which the Council is

directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.

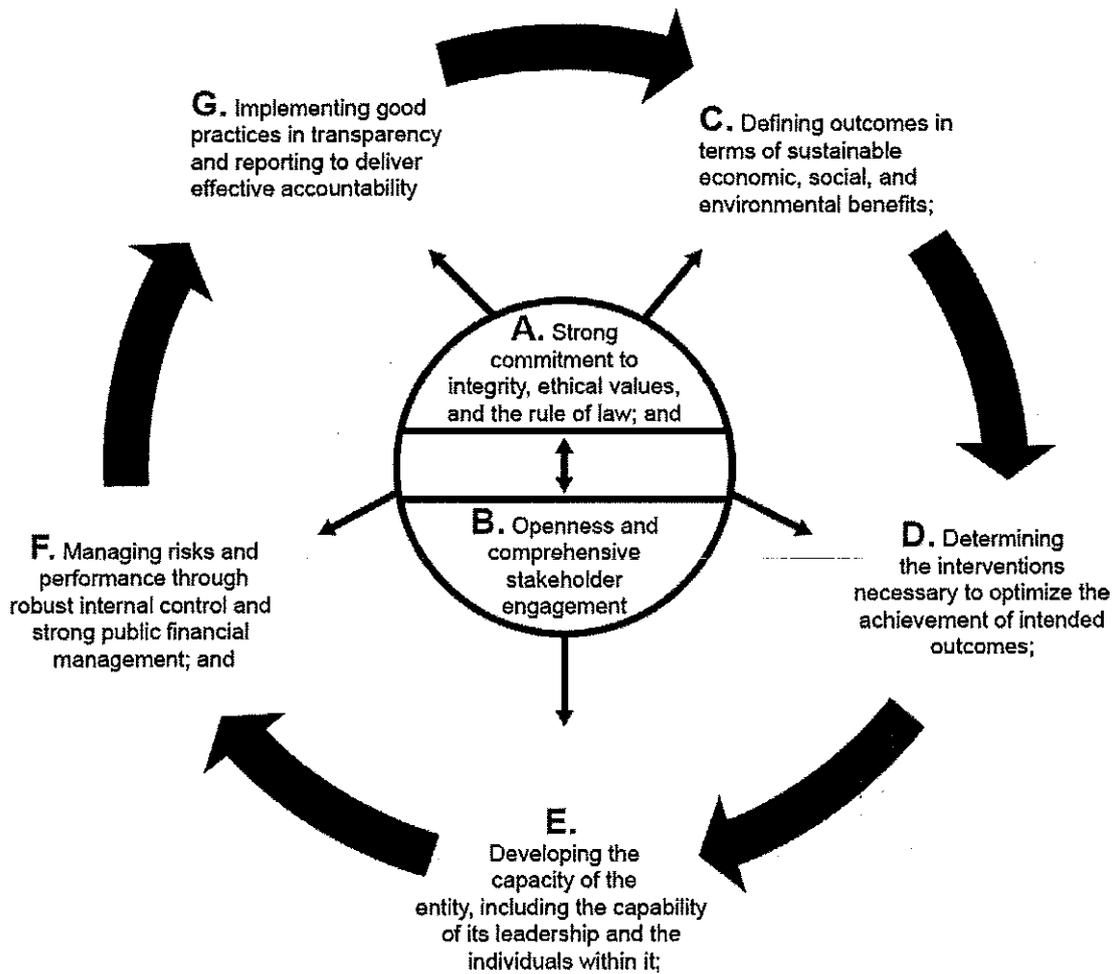
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system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

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

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

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

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



D. Review of Effectiveness

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

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

- Executive Director Head of Paid Services
- Deputy Executive Director - Monitoring Officer
- Director of Resources - S151 Officer
- Assistant Director - Community Services
- Assistant Director - Regeneration and the Built Environment
- Assistant Director - Housing
- Democratic Services Manager
- Internal Audit Manager
- Corporate Support Manager

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

E. Self Assessment

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

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

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

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

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

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

The Council's governance arrangements conform to the CIPFA framework for good governance in the public sector, based on the 2005 *Good Governance Standard for Public Services*, produced in the UK by the Independent Commission on Good Governance in Public Services.

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

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

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

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

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

1. The Council will maintain shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.
2. We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution
3. We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.
4. We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture.
5. We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of

interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.

6. We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.
7. We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate.
8. The Council will appoint statutory officers:

The Executive Director is the Proper Officer.

The Director of Resources is the S151 Officer.

The Democratic Services Manager is the Monitoring Officer.

9. 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.
10. 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.
11. We have put in place effective systems to protect the rights of staff. Ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.
12. We have established a governance group with the remit of collecting assurance information across all departments.
13. We will publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.

B: Openness and comprehensive stakeholder engagement

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

1. We will ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are

clearly articulated and disseminated.

2. We will maintain culture of accountability so that Members and Officers understand to whom they are accountable and for what.
3. We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.
4. In 2015 we will put in place arrangements to enable the Council to engage effectively with the wider community. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.
5. We will publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements.
6. We will deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.
7. We will ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.

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

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

1. We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We will publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.
3. We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
4. We will identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured.

This will include a phased introduction of an effective data collection system for all priority services.

5. We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.
6. We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.

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

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

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

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

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

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

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

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

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

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

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

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

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

F. Internal Audit opinion

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

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

The opinion of Internal Audit Manager will be extracted from the Internal Audit Annual Report:

Extract to follow

G. Financial management

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

Director of Resources:

- Leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.

- Ensures that budget calculations are robust and reserves and balances are adequate in accordance with CIPFA guidance and best practice.
- Ensures that the appropriate financial information systems, functions and controls are in place so that finances are kept under review on a regular basis.

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

H. Significant governance and internal control issues

There were no recommendations relating to the Annual Governance Statement in the 2013/14 Annual Audit Letter. There is one on-going action from the previous year regarding the outstanding Business Continuity Plan.

The Council has identified arrangement for ICT disaster recovery and these have been implemented. This will facilitate the Council's business continuity arrangements and the Business Continuity Plan has been prepared.

I. Action Plan

Action plan for 2015/16

Action	Responsible officer	Due date
	Corporate Support Manager	

J. Certification Statement

The review of the governance arrangements for the financial year 2014-2015 has not highlighted any areas of major concern for the Council. We believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.

Councillor Mrs A Burns
Chairman of the Audit Committee

P Huck
Executive Director

Evidence to support compliance with the seven principles:

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

Demonstrating integrity	We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.	The Council's <u>Constitution</u> part 5 contains codes of conduct for Members and officers.
	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.	The Council's <u>Constitution</u> part 3 defines the terms of reference of the Audit Committee
	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.	The Council's <u>Constitution</u> part 4 sets out the Council's rules of procedure. The Council's <u>local code of governance</u> defines how we manage this. The Council publishes an <u>anti-corruption policy</u> on its website
	We have established a governance group with the remit of collecting assurance information across all departments.	The Council's assurance group meets routinely to review governance arrangements (assurance group minutes)
Strong commitment to	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.	The Council's <u>Annual Governance Statement</u> is published on its website.
	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	The Council's <u>Constitution</u> defines the Council's values

ethical values	individuals.	The Council's <u>Constitution</u> defines the Council's values
	We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council.	The Council undertakes an annual review of financial regulations and contract standing orders are set out in Part 4 of the <u>Constitution</u>
	We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.	The Council has Human resources policies to protect staff.
	We have put in place effective systems to protect the rights of staff. Ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.	The Council has antifraud arrangements in place and <u>fraud hotline</u>
Strong commitment to the rule of law	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.	The Council provides a legal service with access to professional advice to support decision making.
	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.	Officers routinely make use of legal service when carrying out their duties.
	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.	Assessments of the legal implications for all decisions are presented to the Executive Committee as part the executive reporting template.

B: Openness and comprehensive stakeholder engagement

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

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

Defining outcomes	We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.	The purpose of the Council is clearly defined in the <u>Constitution</u>
	We will publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.	The Council publishes an <u>Annual Report</u> that communicates the Council's activities, achievements and financial position
	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.	Assessments of financial and non-financial information for all decisions are presented to the Executive as part the executive reporting template. <u>Example Executive Report</u>
Sustainable economic, social and environmental benefits	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.	The Council has a limited number of performance indicators which are currently reported to the <u>Overview and Scrutiny</u> committee (item 9). We are developing a suite of meaningful indicators to reflect its priorities.
	We maintain a prudent financial framework, balance commitments with available resources; and monitor income	The Council's prudent financial framework is defined in the Budget Strategy. Budgetary control is

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

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

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

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

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

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

	<p>and responsibilities of the Council's other committees and senior officers.</p>	<p>Committee are clearly defined in Part 3 of the Council's <u>Constitution</u></p>
	<p>We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.</p>	<p>Protocols to ensure effective communication are clearly defined in Part 5 of the Council's <u>Constitution</u></p>
	<p>We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.</p>	<p>Protocols to ensure effective communication are clearly defined in Part 4&5 of the Council's <u>Constitution</u></p>
	<p>We will ensure that effective management arrangements are in place at the top of the organisation.</p>	<p>Management arrangements are clearly defined in Part 3 of the Council's <u>Constitution</u></p>
	<p>The Executive Director is responsible and accountable to the Council for all aspects of operational management.</p>	<p>The Executive Directors responsibilities and accountability are clearly defined in Part 3 of the Council's <u>Constitution</u></p>
	<p>The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.</p>	<p>The CFO is a member of the Council's Management Board</p>
	<p>The Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</p>	<p>The Borough Treasurer has been appointed as Section 151 officer. Statutory provision is set out in the financial regulations in part 4 of the <u>constitution</u>. The Council produces annual statutory reports including a statement of accounts, budget setting report council tax setting report and a</p>

	<p>We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council</p> <p>The Monitoring Officer responsible to the Council for ensuring that the constitution is adhered to.</p>	<p>treasury policy.</p> <p>The Council has a CIPFA qualified and experienced chief financial officer.</p> <p>The Council has appointed a Monitoring Officer to ensure adherence the Constitution</p>
<p>Developing the capability of individuals within the entity</p>	<p>We will assess the skills required by Members including understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.</p> <p>We will assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.</p>	<p>The Council has a development strategy for Members. All Members have a Personal Development Plan supported by a learning programme.</p> <p>The Council has induction programmes for Members</p> <p>The skills required to undertake a role are identified in job specifications.</p> <p>Skill gaps and development opportunities are identified through the appraisal process.</p>
	<p>We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is</p>	<p>The Council continues to develop skills through its training programme and provides specialist</p>

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

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

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

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

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

	<p>We will produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.</p> <p>We will maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.</p>	<p>Local Government Act 1972.</p> <p>Budget holders have access to a member of the accounts department and financial information is available on-line</p> <p>Officers pay and conditions are set out in line with the NJC green book.</p> <p>Chief Officers pay and conditions are set out in line with the NJC purple book.</p> <p><u>Pay Policy</u></p>
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		Part One
AUDIT COMMITTEE		(D) Agenda Item 15
Date of Meeting:	18th June, 2015	
Reporting Officer:	Corporate Support Manager	
<p>Title: Monitoring Priority 1 Recommendations</p> <p>Summary and Conclusions:</p> <p>Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required</p>		

Report

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

To ensure all agreed Internal Audit Priority 1 recommendations are implemented in a timely manner they are now tracked by Management. There are seven priority 1 recommendations from the Soccer centre audit report (CR77) and progress against these is detailed in Table 1.

There is an outstanding Priority 1 recommendation from 2012/13 relating to the Council's business continuity arrangements and progress against this is detailed in Table 1.

Background Papers

Nil.

Barrow Borough Council Priority 1 Recommendations 2014/15

Audit Report	Recommendation	Responsible Officer	Current position
Soccer Centre Recommendation 1	<p>Management Board should confirm that:</p> <p><i>the nature of the financial relationship between Pulse Fitness and Pulse Soccer Limited is appropriate; and</i></p> <p><i>Pulse Soccer Limited has a financial standing appropriate to a contract of this size; and</i></p>	Management Board	<p>Closed down</p> <p>The Council is contracted with Pulse Soccer for the Soccer Centre. Pulse Fitness is a different company to Pulse Soccer. Based on the usual financial check that is completed prior to contracting, Pulse Soccer does not fulfil the criteria expected for a £600k capital project. It is unusual for this compliance not to be fulfilled prior to awarding. Management have put checks in place to ensure this does not recur.</p>
Soccer Centre Recommendation 2	Management Board should explain how the contractual terms relating to the capital sum and its repayment terms are beneficial to the Council;	Management Board	<p>Closed down</p> <p>The Council recovers its funding costs through the income generated by the facility. In practice the costs of running the service are paid for from the income generated, following which the funding costs are repaid. Any surplus income is then shared between the Council and Pulse Soccer (80/20). The repayment of the investment will not be straight-line as the usage needs to be grown.</p>
Soccer Centre Recommendation 3	Management Board should explain how the contractual arrangements for the treatment of Pulse Soccer's expenditure and overheads provide sufficient benefit to the Council;	Management Board	<p>Closed down</p> <p>The expenditure for the Soccer Centre for Pulse Soccer consists of staffing the centre (including payroll), cleaning, administration and marketing.</p>

Audit Report	Recommendation	Responsible Officer	Current position
			The marketing campaigns are agreed with the Council. The Council has contracted Pulse Soccer to run the Soccer Centre to fulfil resourcing and this is paid from the income generated.
Soccer Centre Recommendation 4	Management Board should explain how the contractual provisions relating to operating and termination costs are beneficial to, and protect the interests of, the Council;	Management Board	Closed down The operating costs are paid in relation to the direct cost of running the Soccer Centre for the Council. The termination costs only apply if there is a breach of contract and early termination is triggered by the Council.
Soccer Centre Recommendation 5	Management Board should explain how the Council's financial interests have been protected in respect of potential operating losses in the Soccer Centre's operation;	Management Board	Closed down As the Council has contracted Pulse Soccer to run the Soccer Centre it has a liability to pay for the expense of that service provision. Should the income generated not cover the costs of the service provision, then the Council will fund that shortfall. This should not impact on the recovery of the Council's initial investment as this will be recovered over the life of the contract (15 years). The staffing levels are discussed through management meetings and marketing campaigns are agreed with the Council.
Soccer Centre Recommendation 6	Management Board should comment on the apparent lack of transparency and detail in the costings and valuations provided to the Council, to substantiate the capital investment in	Management Board	Closed down There is no obligation on Pulse Soccer to provide information beyond the invoices and valuation certificates that have been provided for the capital investment.

Audit Report	Recommendation	Responsible Officer	Current position
	the Soccer Centre;		
Soccer Centre Recommendation 7	Management Board should assess the cost estimate included within the Soccer Centre contract and commenting on its divergence from advice received from the Council's cost consultant.	Management Board	<p>Closed down</p> <p>The costs within the contract have been accepted by the Council when the contract was signed, this was after the advice from the quantity surveyor was considered and discussed with Pulse Soccer.</p>

Barrow Borough Council Priority 1 Recommendations 2012/13

<p>RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)</p>	<p>The Council should produce a formally approved and up to date Business Continuity Plan</p> <p>ICT disaster recovery arrangements are in place and are being tested. A regular</p> <p>Testing programme is being developed to ensure that the arrangements are robust.</p>	Executive Director	<p>Plan adopted in January 2015</p> <p>ICT disaster recovery testing is on-going</p>
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AUDIT COMMITTEE	(D) Agenda Item 16
Date of Meeting: 18th June, 2015	
Reporting Officer: Director of Resources	
Title: Audit Committee Update	
Summary and Conclusions:	
This report contains an update on the 2014-2015 Accounts and an update on current issues and developments.	
Recommendations:	
Members are recommended to receive the report and raise any questions.	

Report

Statement of Accounts

The ledgers have been closed for 2014-2015 and the Finance Department are preparing the Statement of Accounts and supporting documentation.

The External Auditors have provided feedback from a 'cold review' of the 2013-2014 Statement of Accounts which has identified some potential amendments and some areas that will be considered for removal as they may be immaterial. There are some alterations to accounting policies which will be highlighted in September when the Statement of Accounts is presented to this committee.

Alternative Delivery Models - Spreading Their Wings

Grant Thornton previously published a report entitled 'Responding to the challenge: alternative delivery models in local government' which looked at the increased use of alternative models to protect and develop services. The 'Spreading Their Wings' follow-up report focuses on local authority trading companies and is the first in a series looking at alternative service delivery models in more detail:

<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>

This Council does not currently have any trading companies and there are no immediate plans for this to change. The report has been distributed to the senior officers of the Management Board.

Audit Commission

The Audit Commission closed at the end of 31st March, 2015. The Council received a final letter from the Controller of Audit (**Appendix 13**) to explain what happens to all of the Commission's functions from 1st April, 2015:

Function	Destination
Audit contracts (appointments and monitoring)	PSAA
Setting of scale fees	PSAA
Certification work (HB only)	PSAA
VFM profile tools	PSAA
Code of audit practice	National Audit Office
VFM studies	National Audit Office
National fraud initiative	Cabinet Office
Counter fraud	CIPFA
Corporate governance inspections	DCLG

PSAA - Public Sector Audit Appointments Limited was incorporated by the Local Government Association (LGA) in August 2014. The Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to PSAA by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

The National Audit Office scrutinises public spending for the Government; the National Audit Office also perform the audits of the financial statements of all government departments.

Easing the Burden

'Easing the Burden' is a report published by Grant Thornton regarding the impact of welfare reform on local government and the social housing sector:

<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>

The report looks at how local welfare reform has developed over the last two years from the local authority and social housing point of view. It includes a look at some of the innovative 'good practice' that local authorities are using to address the impact.

The report contains a number of case studies and identifies recommendations to move forward.

For this Council continued working with the 'Cumbria Welfare Reform Task Group' (County-wide) and the 'Preparing for Welfare Reform Group' (local, includes the third-sector and DWP) is important. The Easing the Burden report has been passed to the chairman of the 'Preparing for Welfare Reform Group'.

Training

Grant Thornton provided Audit Committee training on 12th June, 2015. I would like to thank the staff who provided the training for Members and the officers that attended. Should Members require any further training; this can be raised through the Personal Development Plan or with me for specific Audit Committee requirements.

Background Papers

Nil

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[Local government](#)

[Health](#)

[Counter fraud](#)

[Audit regime](#)

[About us](#)

The Audit Commission's closure: An overview

Dear Ms Roberts,

As you will be aware, the closure of the Audit Commission on 31 March 2015 marks the point at which other organisations become responsible for delivering several of the Commission's functions. I am writing to confirm the arrangements that have been put in place following from 1 April 2015.

Audit contracts

An independent company created by the Local Government Association, called Public Sector Audit Appointments Limited (PSAA), will be responsible for overseeing the Commission's current external audit contracts with audit firms from 1 April 2015 until December 2017 or up to 2020. It will manage the contracts and exercise statutory powers to appoint auditors, set and determine fees, and to make arrangements for housing benefit subsidy certification.

Professional conduct of auditors

The professional conduct of auditors will continue to be regulated by the professional accountancy bodies. From 2017 or up to 2020, a Recognised Supervisory Body (RSB) will determine the eligibility of local public auditors and register them. The RSB will be recognised and supervised by the Financial Reporting Council. The Financial Reporting Council's Audit Quality Review team will review the major local public audits carried out by auditors through new regulatory arrangements.

Grant certification

The role of making arrangements for housing benefit subsidy certification will transfer to Public Sector Audit Appointments Limited from 1 April 2015. It is intended that this role will continue until housing benefit is rolled into Universal Credit, or until the audit contracts end – whichever happens first. The independent company will not have a role in relation to the certification of other grant claims.

Code of Audit Practice

The National Audit Office will produce and maintain the Code of Audit Practice and provide supporting guidance to auditors from 1 April 2015.

Whistleblowing

The Comptroller and Auditor General will be a prescribed person to whom whistleblowing disclosures can be made in respect of local public bodies under the Public Interest Disclosure Act 1998 from 1 April 2015. Appointed auditors retain their status as a prescribed person under the Act.

National Fraud Initiative

The Audit Commission powers to conduct the National Fraud Initiative will pass to Cabinet Office on 1 April 2015, and the NFI will run under Cabinet Office powers from that date onwards. The NFI matches data provided by some 1,300 participating organisations from across the public and private sectors against data provided by other participants, and key data sets provided by government departments and other national agencies, to prevent and detect fraud.

Provision of information about audit.

The National Audit Office will publish information previously provided by the Audit Commission. The NAO will become the owner of Council Accounts: A Guide to Your Rights, often referred to as the guide to the electorate's rights with regard to the audit of their local authority. Public Sector Audit

Appointments Limited will continue to publish Auditing the Accounts and quarterly and annual reports on auditor compliance and audit quality.

Analytical tools.

Three of the Audit Commission's analytical tools that are primarily maintained to support audit contracts will transfer to Public Sector Audit Appointments Limited and will continue until the end of the current audit contracts: the two Value for Money Profiles Tools (for councils and for fire authorities), and the Audit Fees Comparator Tool.

National value for money studies.

Building on its existing work, including in the Health sector, the National Audit Office now also carries out studies which consider the value for money of services delivered by the local government sector.

Best value inspections

The power to carry out Best Value inspections (not exercised by the Audit Commission since 2010) transferred to the Secretary of State for Communities and Local Government on 4 April 2014.

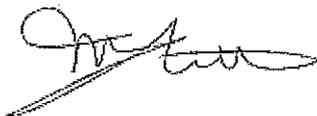
Audit Commission historic reports and information.

The National Archives preserves copies of the Audit Commission's website and these are available at http://webarchive.nationalarchives.gov.uk/*/http://audit-commission.gov.uk/pages/default.aspx. For copies of the Commission's past reports you may view these on the National Archives website.

To help contextualise the changes, we have considered the most frequent reasons that organisations or individuals contact the Commission and have produced [a table containing the contact details for support after the Audit Commission closes. This also identifies where specific information will be held in the future.](#)

I would like to take this final opportunity to thank you for your interest in, and support of, the Audit Commission.

Yours sincerely,



Marcine Waterman
Controller of Audit

Registered address:

Audit Commission, 1st Floor, Fry Bldg, 2 Marsham St, London, SW1P
4DF

web: www.audit-commission.gov.uk

email: press-office@audit-commission.gsi.gov.uk

tel: 0303 444 8300



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AUDIT COMMITTEE	<u>Part One</u> (D) Agenda Item 17
Date of Meeting: 18th June, 2015	
Reporting Officer: Director of Resources	
<p>Title: External Audit - Committee Update</p> <p>Summary and Conclusions:</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>Recommendations:</p> <p>Members are recommended to receive the External Auditor's report and raise any questions.</p>	

Report

The External Auditors have produced an Audit Committee Update for Members, regarding current issues and developments. The report is attached at **Appendix 14** and will be presented to Members by the External Auditor.

Background papers

Nil



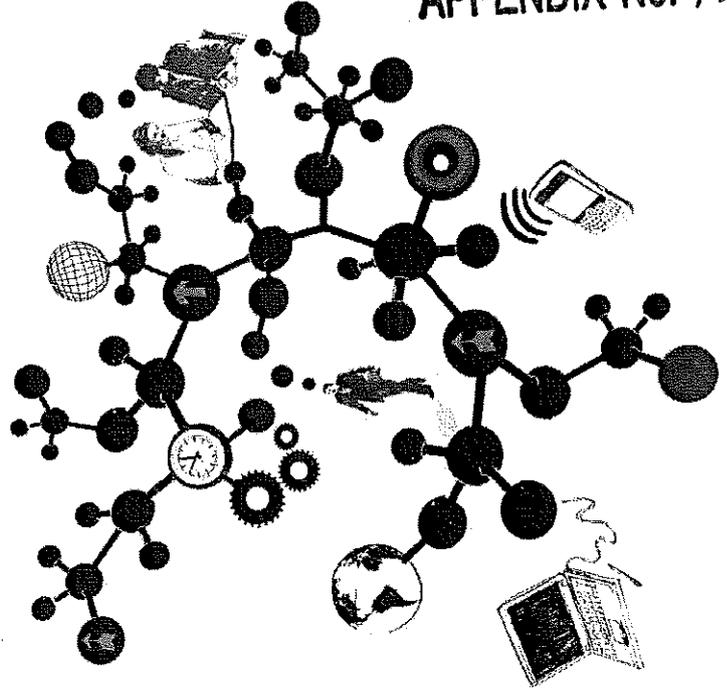
Audit Committee Update for Barrow in Furness Borough Council

Year ended 31 March 2015
June 2015

Jackie Bellard
Engagement Lead
T 0161 234 6394
E jackie.bellard@uk.gt.com

Neil Krajewski
Engagement Manager
T 0161 234 6371
E neil.p.krajewski@uk.gt.com

Maeve Morgan
In-Charge Auditor
T 0161 953 6446
E maeve.t.morgan@uk.gt.com



APPENDIX No. 14

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Introduction

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

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

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

- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

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.

Jackie Bellard Engagement Lead T 0161 234 6394 M 07880 456 195 Jackie.Bellard@uk.gt.com
Neil Krajewski Engagement Manager T 0161 234 3671 M 07827 282 364 Neil.P.Krajewski@uk.gt.com

Progress at 8 June 2015

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2014-15 financial statements.</p>	March 2015	Yes	We presented our plan at the previous meeting of the Audit Committee
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment; • updating our understanding of financial systems; • review of Internal Audit reports on core financial systems; • early work on emerging accounting issues; • early substantive testing; and • proposed Value for Money conclusion. 	March 2015	Yes	We concluded our interim work in March 2015
<p>2014-15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements; • proposed opinion on the Council's accounts; and • proposed Value for Money conclusion. 	July 2015 – September 2015	No	We will commence our on-site field work in early July 2015. The Council is required to submit its accounts for audit by 30 th June 2015.

Progress at 8 June 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014/15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • updating our knowledge using existing available information and knowledge; • carrying out a document review of key documentation from the Council's schedule of meetings; • discussing with key officers and requesting further information; and • producing a summarised follow up on financial resilience. 	July – August 2015	No	We undertook an initial risk assessment as part of our interim audit. During our post statements visit we will complete our planned value for money work. This will include consideration of the Council's outturn financial position compared to budget estimates and a review of the latest version of the medium term financial strategy.
<p>Certification Audit</p> <p>We are required to certify the Council's Housing Benefit return</p>	May – October 2015	No	We received the Council's completed Housing Benefits claim prior to the 30 April deadline. With assistance from Internal Audit, we have commenced detailed testing of amounts paid out to claimants during the 2014-15 financial year.

All Aboard? - Local Government Governance Review 2015

Grant Thornton

Our fourth annual review of local government governance is available at <http://www.grant-thornton.co.uk/en/Publications/2015/Local-Government-Governance-review-2015-All-aboard/>.

We note that the challenges faced by local authorities are intensifying as austerity and funding reductions combine with demographic pressures and technological changes to create a potential threat to the long-term sustainability to some organisations. Maintaining effective governance is becoming ever more complex and increasingly important.

Against this background we have focused this year's review on three key areas:

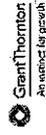
Governance of the organisation – the main area of concern highlighted in this year's governance survey is the level of dissatisfaction with the scrutiny process.

Governance in working with others – there is an urgent need for scrutiny to exercise good governance over the complex array of partnerships in which local authorities are now involved. Boundary issues notwithstanding, by 'shining a light' on contracted-out activities and joint operations or ventures, scrutiny committees can bring a new level of transparency and accountability to these areas

Governance of stakeholder relations – despite the work that a number of local authorities are doing with the public on 'co-production', almost a third of respondents to our survey did not think their organisation actively involves service users in designing the future scope and delivery of its services.

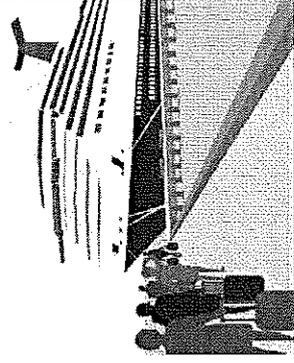
We conclude that local authorities need to ensure that their core objectives and values are fulfilled through many other agencies. This implies a greater role for scrutiny and a need to make sure local public sector Bodies' arrangements are as transparent as possible for stakeholders.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



MEMBER OF THE GRANT THORNTON NETWORK

All aboard?



Stronger futures: development of the LGPS

Grant Thornton

Our second review on governance in LGPS funds in England and Wales is based on comprehensive research with pension fund senior officers, supported by insights from pension fund auditors and is available at <http://www.grant-thornton.co.uk/Publications/2015/Stronger-futures-development-of-the-LGPS/>

With the local government pensions scheme (LGPS) continuing to face significant change and challenge, there is a clear commitment to ensuring its survival and the provision of affordable pension benefits for the future. Following the implementation of a career average pension scheme in 2014, administering authorities are preparing for significant changes in governance arrangements effective from April 2015.

Some of the key messages from the report are:

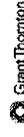
there are increasing strong examples of innovation and increased collaborative working across the LGPS to achieve reduced costs and improved use of specialist skills and knowledge;

implementation of the career average scheme from April 2014 went well and demonstrated good project management and effective communication with members and employers; and

there have been several other positive trends across the LGPS since our 2013 review particularly around the widening scope of reporting to Pension Committees including performance reporting, risk management and internal audit reviews.

However, we saw a wide variation in practice, including a concentration of risk reporting on investment risk, over half of funds have not implemented the CIPFA knowledge and skills framework as part of their member training, 45 per cent of Pension Committees do not receive internal audit reports and 15 per cent do not have specific internal audit coverage, and nearly half of funds have no information around the value of their liabilities in between the triennial valuations.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



Stronger futures:
development of the LGPS

Published by Grant Thornton LLP



Independent Commission into Local Government Finance

Local government issues

The Independent Commission on Local Government Finance was established in 2014 to examine the system of funding local government in England and bring forward recommendations on how it can be reformed to improve funding for local services and promote sustainable economic growth. It published its final report, [Financing English Devolution](#), on 18 February 2015.

The report notes that the core of the Commission's proposition is the devolution of powers, funding and taxes to sub-national entities over a 10 year period. They estimate that this could lead to over £200 billion in public expenditure being controlled at a sub-national level. The expectation is that councils and their partners would work collaboratively to manage differences in capacity and resources. They see local areas becoming self sufficient.

The Commission advocates a 'variable speed' approach to reform with 'Pioneers' able to and wishing to reform at a faster pace. Reforms advocated for all authorities include:

- An independent review of the functions and sustainability of local government in advance of the next spending review
 - Freedom to set council tax and council tax discounts and full retention of business rates and business rates growth
 - Multi-year financial settlements
 - The ability to raise additional revenue through the relaxation of the rules on fees and charges
- 'Pioneer' authorities would also implement:
- Single placed-based budgets for all public services
 - Management of funding equalisation across a sub-national area
 - Further council tax reforms including the ability to vary council tax bands and undertake revaluations
 - Newly assigned and new taxes such as stamp duty, airport taxes and tourism taxes
 - The establishment of Local Public Accounts Committees to oversee value for money across the placed-base budget.

Challenge question

Have members been briefed by your Director of Resources on the key findings of the Independent Commission's final report?

Developing Local Authority Trading Companies

Grant Thornton Publications

Austerity has made a significant impact on local government. Our report '*Responding to the challenge: alternative delivery models in local government*' looked at the increased use of alternative delivery models to protect and develop services. This trend has continued over the last year.

Whilst some councils have always had a commercial approach, many traditionally avoided commercial considerations. This is no longer the case.

As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures. For many councils, the use of Local Authority Trading Companies (LATCs) is a step towards becoming self-financing.

Over the last five years, we have seen a significant increase in the use of different service delivery models by local government. The introduction of LATCs has been a key part of this innovation. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – they have grown into new areas such as highways, housing and education.

More recently, LATCs dedicated to the delivery of social care services have emerged.

However, the delivery of a successful company is not easy.

Our report '*Spreading their wings*' is the first in a series looking at alternative service delivery models in more detail. The report provides practical guidance – drawn from interviews with councils and from the successful companies we have worked with – on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company

Copies can be obtained via your Engagement Lead or Audit Manager.



Spreading their wings
Building a successful local
authority trading company



Inspection into the governance of Rotherham Council

Local government issues

On 4 February 2015 the Secretary of State for Communities and Local Government, Eric Pickles announced the publication of Louise Casey's report. Her inspection of the exercise of functions on governance, children and young people and taxi and private hire licensing states:

"Rotherham Metropolitan Borough Council is not fit for purpose. It is failing in its legal obligation to secure continuous improvement in the way in which it exercises its functions. In particular, it is failing in its duties to protect vulnerable children and young people from harm."

It summarises the following serious failings:

- a council in denial about serious and on-going safeguarding failures
- an archaic culture of sexism, bullying and discomfort around race
- failure to address past weaknesses, in particular in Children's Social Care
- weak and ineffective arrangements for taxi licensing which leave the public at risk
- ineffective leadership and management, including political leadership
- no shared vision, a partial management team and ineffective liaisons with partners
- culture of covering up uncomfortable truths, silencing whistle-blowers and
- paying off staff rather than dealing with difficult issues

The report has had widespread press coverage and in a statement in the House of Commons the Secretary of State confirmed that he is considering exercising his powers of intervention in relation to Rotherham.

Challenge question

Have members been briefed by your Director of Resources on:

- the headline messages from the inspection of aspects of Rotherham MBC's governance arrangements;
- whether there are any lessons to be learned by the authority and actions that need to be taken to strengthen its overall governance arrangements in response to the risk of child sexual abuse, including the robustness of member oversight, challenge and scrutiny.

Help into work programmes

Local government issues

In its press release of 12 January 2015 the LGA reported that more than one million unemployed people are falling through cracks in national work schemes that are failing to reach some of the most vulnerable jobseekers. It warned that whilst councils are being left to pick up the pieces to prevent more vulnerable people slipping further into long-term unemployment and disengagement they cannot afford to continue resolving the failings of these national schemes in their communities without the appropriate funding.

As a remedy the LGA calls on the next government to commit to devolving all nationally-run education, skills and employment schemes to local areas so councils can join-up services to support their most vulnerable residents. A report published by the National Institute of Economic and Social Research (NIESR), commissioned by the LGA, explores in detail how a sample of councils across the country have provided a safety net for their most vulnerable and hardest to reach residents. The NIESR report's lead author, Dr Heather Rolfe, said:

"Local authorities have a unique position in their communities, are able to bring services together, forging partnerships and strengthening referral networks. It is through such work that they are able to help unemployed people who are beyond the reach of national programmes."

Challenge question

Have members been briefed by your Director of Resources on the headline messages from the NIESR report and its implications for the authority's strategies around community engagement, employment, regeneration and economic development?

DCLG – Build to rent scheme

Local government issues

Housing Minister Lewis Brandon announced on 10 January 2015 a £55 million deal to provide nearly 800 homes for private sector rent in Manchester and Salford as part of the government's wider £1 billion Build to Rent scheme, which has the objective of building 10,000 new homes for private rent. The Chief Executive of the Homes and Communities Agency (HCA) Andy Rose said:

"this is a major investment in the private rented sector in Manchester. It demonstrates how the HCA, working closely with partners, is combining financial and local expertise to increase the private rented choice in areas where there is a high demand for homes".

As part of its strategy of creating a bigger and better private rented sector the government has also

- published a How to rent guide, so tenants and landlords know their rights and what to expect when renting privately
- published a model tenancy agreement, so tenants who want to ask for longer tenancy agreements have the opportunity to do so;
- introduced a new requirement for letting agents to belong to one of three redress schemes, so the minority of tenants and landlords who get a raw deal have somewhere to go with their complaint

Challenge question

Have members been briefed by your Director of Resources on the government's Build to Rent scheme and other aspects of its initiative to increase the private sector housing market and its implications for the authority's housing strategy?

Provision for Business Rates Appeals

Accounting and audit issues

Unlodged appeals

The Chancellor's Autumn Statement included a change to the rules relating to business rates appeals. As a result we do not expect to see any provisions for unlodged appeals in local authorities' 2014/15 accounts, although we will expect this to be re-considered for 2015/16 accounts.

The change restricts the backdating of Valuation Office Agency (VOA) alterations to rateable values. Only VOA alterations made before 1 April 2016 and ratepayers' appeals made before 1 April 2015 can now be backdated to the period between 1 April 2010 and 1 April 2015. The aim is to put authorities in the position as if the revaluation had been done in 2015 as initially intended, before the deadline was extended to 2017.

There may be some fluctuations in provisions at 31 March 2015 as unlodged appeals provisions are released. However, there may also be increased numbers of appeals lodged prior to 31 March 2015. These appeals may be more speculative in nature and therefore authorities may need to consider whether prior year assumptions remain valid in estimating their provisions.

Utilisation of provision

As part of the provisions disclosures in the accounts, local authorities need to disclose additional provisions made in the year, the amounts used (i.e. incurred and charged against the provision) during the year and unused amounts reversed during the year.

We understand that the software used for business rates may not provide values for the amounts charged against the provision during the year and that there is no simple software solution for this for 2014/15. Local authorities will need to consider available information and make an estimate of the amount for appeals settled in the year.

Challenge questions

- Has your Director of Resources reassessed the methodology for making the business rates provision?
- Has your Director of Resources got arrangements in place for the estimation of appeals to be charged against the provision?

Inclusion of overtime in the calculation of holiday pay

Accounting and audit issues

The Employment Appeal Tribunal (EAT) has delivered its judgement on the extent to which overtime pay should be included in the calculation of holiday pay. This case stems from an apparent conflict between UK law and European Law.

The EAT found that non-guaranteed overtime (i.e. overtime, which is not guaranteed by the employer, but which the worker is obliged to work, if it is offered), should be included in the calculation of holiday pay. Back-dated claims can only be made if it is less than three months since the last incorrect payment of holiday pay.

It is likely that there will be an Appeal to this decision. However that does not mean that authorities should hold off assessing the impact. Local authorities should be considering their own circumstances and if necessary taking their own legal advice as to the extent they might be affected by the ruling. If an authority is going to be affected they need to assess whether the liability can be reliably measured.

For an authority likely to be affected in a material way, where it is possible to reliably measure that liability, then appropriate provision should be made in the 2014/15 accounts. The fact that the issue might go to Appeal at some uncertain time in the future is not of itself grounds for not including a provision. The chances of any success would need to be taken account of in the legal analysis but, in any case, there are some indications that the key issue on Appeal would be whether to remove the three month cap (if this were done then the provision would increase), rather than dismissing the entire decision to include overtime in the calculation of holiday pay.

Challenge question

- Has your authority taken legal advice and assessed if a provision is required in the 2014/15 accounts?

Earlier closure and audit of accounts

Accounting and audit issues

Legislation was recently passed to bring forward the deadlines for the preparation and audit of Local Government financial statements from 2017/18 onwards. The timeframes for the preparation of the financial statements and their subsequent audit will be reduced by one month and two months respectively as follows:

- Deadline for preparation of financial statements – 31 May (currently 30 June)
- Deadline for audit completion – 31 July (currently 30 September)

Although July 2018 is over 3 years away, both local authorities and their auditors will have to make real changes in how they work to ensure they are 'match-fit' to achieve this deadline. This will require leadership from members and senior management.

Local government accountants and their auditors should start working on this now.

Top tips for local authorities:

- make preparation of the draft accounts and your audit a priority, investing appropriate resources to make it happen
- make the year end as close to 'normal' as possible by carrying out key steps each and every month
- discuss potential issues openly with auditors as they arise throughout the year
- agree key milestones, deadlines and response times with your auditor
- agree exactly what working papers are required.

Auditors are already working on bringing forward more testing to before the financial statements are prepared and will be discussing further changes with local authorities including greater use of estimates in the accounts which will enable the audits to be brought forward further.

Some authorities currently produce their financial statements ahead of the current deadline, or have plans to do so in 2014/15, and some audits are completed before 31 July.

We will be assessing how this has been achieved and will share our findings in a national report, expected in early 2016.



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