

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 5th March, 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 11th December, 2014 (copy attached) (Pages 1-6).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Internal Audit – Management Responses (Page 7).
- (D) 8. Internal Audit Final Reports (Pages 8-9).

- (D) 9. Internal Audit - Progress Report (Page 10).
- (D) 10. Internal Audit - Annual Plan (Pages 11).
- (D) 11. Annual Review of Internal Audit (Pages 12-14).
- (D) 12. External Audit - Certification Work (Page 15).
- (D) 13. External Audit - Committee Update (Page 16).
- (D) 14. External Audit – Annual Plan (Page 17).
- (D) 15. Audit Committee Assurance (Page 18).
- (D) 16. Annual Review of Audit Committee Effectiveness (Page 19).
- (D) 17. Audit Committee Update (Pages 20-21).
- (D) 18. Governance and Policy Updates (Pages 22-23).
- (D) 19. Accounting Policies (Pages 24-25).
- (D) 20. Going Concern (Pages 26-28).
- (D) 21. Catering Contract Update (Page 29).
- (D) 22. Risk Management (Pages 30-31).
- (D) 23. Code of Governance (Page 32).
- (D) 24. Monitoring Priority 1 Recommendations (Pages 33-36).

PART TWO

- (D) 25. Internal Audit – Soccer Centre Report (Pages 37-40).

NOT FOR PUBLICATION BY VIRTUE OF PARAGRAPH 3 OF PART ONE OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND ACCESS TO INFORMATION (VARIATION) ORDER 2006

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

Membership of Committee

Councillors Burns (Chair)
Pointer (Vice-Chair)
Doughty
W McClure
Murray
Thurlow

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AUDIT COMMITTEE

Meeting Thursday 11th December, 2014
at 2.00 p.m.

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

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

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

40 – Minutes

The Minutes of the meeting held on 25th September, 2014 were taken as read and confirmed.

41 – Apologies for Absence/Attendance of Substitute Members

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

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

42 – Annual Audit Letter for the year ended 31st March, 2014

The External Auditor presented the Annual Audit Letter for the year ended 31st March, 2014. A copy of the Annual Audit Letter had been appended to the report. The letter summarised the key findings which had arisen from the following work that External Audit had carried out at the Council for the year ended 31st March, 2014:

- Financial Statements Audit (including audit opinion);
- Value for Money (VfM) Conclusion;
- Whole of Government Accounts;
- Certification of Grant Claims and Returns; and
- Audit Fee.

The audit conclusions were as follows:-

- An unqualified opinion on the accounts which gave a true and fair view of the Council's financial position as at 31st March, 2014 and its income and expenditure for the year;
- An unqualified conclusion in respect of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources; and
- An unqualified opinion on the Council's Whole of Government Accounts submission. The External Auditors reported that they had certified two

grants claims and returns to date, one without amendments and one subject to some amendments.

Key Areas for Council Attention

Audit summarised the key messages arising from their audit for the Council to consider as well as highlighting key issues facing the Council in the future.

They issued an unqualified Value for Money (VfM) conclusion and concluded that the Council had:-

- Sound financial governance arrangements and financial controls in place, supported by members who consistently provided a robust challenge to financial matters;
- A well-established approach to strategic financial planning, through the three year medium term financial strategy, aligned to corporate priorities; and
- Demonstrated a track record of meeting efficiency targets and managing its revenue budget well.

RESOLVED:- (i) To receive the External Auditors report;

(ii) To request the Chairman of this Committee write to the External Auditors thanking them for all their work.

43 – Internal Audit Final Report

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

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

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

1. Income Collection – Substantial Assurance;
2. Budgetary Control – Substantial Assurance;
3. Payroll – Substantial Assurance;
4. Accounts Payable – Substantial Assurance;
5. North Central Area Group Repair – Substantial Assurance;
6. Farm Street Play Area Refurbishment – Substantial Assurance; and
7. Cumbria Housing Partners – Griffin Re-Roofing – Substantial Assurance.

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

RESOLVED:- To note the Internal Audit Final Reports.

44 – Internal Audit Progress Report - December 2014

The Director of Resources reported that the Internal Audit Progress Report for the period 1st April, 2014 to 2nd December, 2014 had been produced by the Head of Internal Audit.

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

No Priority 1 recommendations were made within the reporting period.

The report contained a statistical summary of the numbers of audit recommendations (37). It was noted that 27 recommendations had been fully accepted and 10 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. 22 had been rated Priority 2 and 15 had been assigned Priority 3.

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

Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2014/15 (April – December)	49	0	0	49
2013/14 (Full year)	106	0	7	113

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

Indicator		2014/15
1	Percentage of Draft reports issued within 10 working days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	44%
3	Percentage of Final Reports issued within 10 working days of receipt of management response.	100%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

The Chairman requested that the Director of Resources brings to the Management Board attention the percentage of management responses received within 20 working days of issue of the Draft report to ensure the deadline was adhered to.

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

(ii) That the Director of Resources report to Management Board regarding the percentage of management responses received within 20 working days of issue of the Draft report.

45 – Audit Committee Update

The Director of Resources submitted a report providing an update on the 2014-2015 Statement of Accounts and other developments since the last Committee meeting.

Statement of Accounts

The timetable for preparing the Statement of Accounts 2014-2015 would be drawn up in January 2015 and would reflect any adjustments that were identified during the 2013-2014 process. There were no major concerns with the 2013-2014 timetable and it was expected that the current plan would roll forward.

Other developments

DWP Universal Credit begins in the Borough on 8th December, 2014. Barrow Citizen's Advice Bureau would be providing personal budgeting support and online support for claimants. The initial claimant scope for Cumbria was for single new claimants that were unemployed and may have rental housing costs (no mortgage).

The DWP Single Fraud Investigation Service (also referred to as SFIS) was set to begin work in July 2015 for Cumbria. The benefit fraud work would pass to the DWP from the Council; this was contracted out with Revenues and Benefits. Corporate fraud work would remain with Internal Audit.

The Audit Commission had issued a briefing paper in relation to managing Council property assets, using data from the VFM profiles. The Council managed the commercial property portfolio through the Property Services Department and had a cross-service Property Management Group which reported to Management Board. The commercial property portfolio generated over £1 million per year. Operational properties were also reviewed by the Property Management Group and informed the public buildings maintenance programme, the capital programme and the Asset Management Plan. The briefing paper was available from the Audit Commission website:

<http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/>

The Audit Commission had also published the National Fraud Initiative (also referred to as NFI) report which identified that the data matching had identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since the last report in May 2012. The Council's data matches were investigated by Internal Audit, apart from those relating to Revenues and Benefits which were referred to that specific fraud team. The report was available from the Audit Commission website:

<http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/>

The Audit Commission had also issued the Protecting the Public Purse report for 2014. This report was an amalgamation and analysis of the fraud surveys from Councils to the Audit Commission. The report identified that fraud at a value of £188 million was detected by England's Councils in 2013-2014. The survey included housing benefit, council tax support, right to buy, insurance and housing tenancies. The fraud survey returned for this Council identified only housing benefit fraud cases, all of which had been dealt with and recovery action undertaken. The report was available from the Audit Commission website:

<http://www.audit-commission.gov.uk/counter-fraud/protecting-the-public-purse-reports/>

RESOLVED:- To receive the Director of Resources report.

46 – Risk Management

The Corporate Support Manager attached as an appendix to his report, the Risk Register for 2014/15. He reported that the register continued to focus on 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 August 2014 and the following changes were made:-

Corporate Risk 1: Impact to changes to the benefit system on the income of the Housing Department had an additional mitigating action added as detailed below:-

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.

Management Board had 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.

No changes were made to the Operational Risk Register by Management Board in August.

RESOLVED:- To note the report.

47 – 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. The Council's Business Continuity Plan would be submitted to the Executive in January 2015 for approval.

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 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 impacts on the operability of the Town Hall.

RESOLVED:- To note the report.

The meeting closed at 2.45 p.m.

		Part One
AUDIT COMMITTEE		(D) Agenda Item 7
Date of Meeting: 5th March, 2015		
Reporting Officer: Director of Resources		
<p>Title: Internal Audit – Management Responses</p> <p>Summary and Conclusions:</p> <p>This report updates Members on the Performance Indicator for management responses to Internal Audit reports.</p> <p>Recommendations:</p> <p>Members are recommended to note the report and raise any questions.</p>		

Report

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 is a cumulative indicator so cannot achieve 100% this year, but can be improved upon.

I 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 will continue to be monitored as part of the Internal Audit – Progress Report which is a recurring item on the agenda. Currently the indicator has improved to 67%.

Background Papers

Audit Committee 11th December, 2014, Agenda Item 9.

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 8
Date of Meeting: 5th March, 2015		
Reporting Officer: Director of Resources		
<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 nine final reports for consideration by Members:

- Housing Benefits **Appendix 1**
- NNDR (Business Rates) **Appendix 2**
- Risk Management **Appendix 3**
- Receipt Books **Appendix 4**
- Performance Management **Appendix 5**
- Treasury Management **Appendix 6**
- Council Tax **Appendix 7**

Contract Audit

- Market Hall - **Appendix 8**

IT Audit

- Information Technology Infrastructure Library **Appendix 9**

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

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 9
Date of Meeting: 5th March, 2015		
Reporting Officer: Director of Resources		
<p>Title: Internal Audit - Progress Report</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Progress Report has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive the Internal Audit Progress report and raise any questions.</p>		

Report

The Internal Audit Progress Report for the period 1st^t April, 2014 to 20th February, 2015 is attached at **Appendix 10** and will be presented to Members by the Head of Internal Audit

Background Papers

Nil

AUDIT COMMITTEE	(D) Agenda Item 10
Date of Meeting: 5th March, 2015	
Reporting Officer: Director of Resources	
Title: Internal Audit - Annual Plan	
Summary and Conclusions:	
The Internal Audit Annual Plan for 2015-2016 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.	
Recommendations:	
Members are recommended to:	
<ol style="list-style-type: none">1. Receive and consider the Internal Audit Annual Plan for 2015-2016; and2. Raise any questions or concerns with the Head of Internal Audit.	

Report

The Internal Audit Annual Plan for 2015-2016 is attached at **Appendix 11** and will be presented to Members by the Head of Internal Audit.

Background Papers

Nil

AUDIT COMMITTEE	(D) Agenda Item 11
Date of Meeting: 5th March, 2015	
Reporting Officer: Director of Resources	
Title: Annual Review of Internal Audit	
Summary and Conclusions:	
An annual review of the effectiveness of the Internal Audit service is required by the Accounts and Audit Regulations 2011.	
Internal Audit must comply with proper practice as defined by the code of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This code is recognised in the Accounts and Audit Regulations as proper practice.	
For the financial year 2014-2015 a review has been undertaken and this report informs Committee of the findings.	
I am satisfied that the Internal Audit service is effective.	
Recommendations:	
Members are recommended to endorse the review.	

Report

Regulation 4 of the Accounts and Audit Regulations 2011 requires audited bodies to conduct a review of the effectiveness of its system of internal control at least once a year. Regulation 4 also requires the findings of the review of the system of internal control to be considered by this committee. This review is contained within the Annual Governance Statement, presented to Members as part of the agenda at this committee meeting.

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

I am satisfied that the Internal Audit service is effective. I have referred to the following documents to support my opinion:

1. 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 contain the performance of the service for the last full financial year and this year to date; and
4. Post audit questionnaires – these are returned by departmental managers to reflect satisfaction with the service.

Public Sector Internal Audit Standards

This is a self-assessment which covers the Authority and its Internal Audit arrangements:

- Scope of Internal Audit
- Independence
- Ethics for internal auditors
- Audit Committees
- Relationships
- Staffing, training and development
- Audit strategy and planning
- Undertaking audit work
- Due professional care
- Reporting
- Performance, quality and effectiveness

The Internal Audit Service is substantially compliant with these standards.

The CIPFA statement on the role of the Head of Internal Audit (HIA) in local government

This self-assessment checklist is split into five standards which are all adopted by the Head of Internal Audit apart from one of the criteria which only applies if the Head of Internal Audit is an employee of the Authority and is therefore not applicable.

Internal Audit reports

The Internal Audit Annual Report for 2013-2014 was presented to this Committee on the 26th June, 2014. The progress reports have been reviewed instead of the

2014-2015 Annual Report as this assessment is being performed before it is available and with the current committee membership.

Post audit questionnaires

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

1. Assignment planning and fieldwork – the opportunity for you to comment on the scope and objectives of the audit;
2. Assignment planning and fieldwork – the technical knowledge of the auditor;
3. Assignment planning and fieldwork – the auditors understanding of your service and its business needs;
4. Assignment planning and fieldwork – the professional conduct of the auditor;
5. Reporting – clarity of the report/practicality and relevance of the recommendations;
6. Reporting – the report meeting the audit objectives; and
7. Overall assessment – overall assessment of the audit.

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

Background Papers

Documents noted in the report.

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 12
Date of Meeting: 5th March, 2015		
Reporting Officer: Director of Resources		
<p>Title: External Audit - Certification Work</p> <p>Summary and Conclusions:</p> <p>The certification work for Barrow Borough Council for year ended 31st March, 2014, has been completed by the External Auditors. The External Auditors have written to the Council to report their findings and will present these at the meeting.</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 completed the certification work relating to the financial year 2013-2014. The claims involved were Housing Capital Receipts and Housing Benefits.

The External Auditors have written to the Council to report their findings and this letter is attached at **Appendix 12**. The External Auditors will present their findings to Members.

Background Papers

Nil

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 13
Date of Meeting: 5th March, 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 13** and will be presented to Members by the External Auditor.

Background papers

Nil

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 14
Date of Meeting: 5th March, 2015		
Reporting Officer: Director of Resources		
<p>Title: External Audit – Annual Plan</p> <p>Summary and Conclusions:</p> <p>This report includes the External Audit Plan for the year ended 31st March, 2015. The External Auditors will present the Plan to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive and consider the External Audit Plan for the year ended 31st March, 2015; and 2. Raise any questions or concerns with the External Auditors. 		

Report

The External Audit Plan for the year ended 31st March, 2015 is attached at **Appendix 14** and will be presented to members by the External Auditors.

Background Papers

Nil

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 15
Date of Meeting: 5th March, 2015		
Reporting Officer: Director of Resources		
<p>Title: Audit Committee Assurance</p> <p>Summary and Conclusions:</p> <p>The External Auditor has requested the Chairman of the Audit Committee to explain how the Audit Committee gains assurance from management. This report provides the response for Members approval.</p> <p>Recommendations:</p> <p>Members are recommended to agree that the Chairman sign the response to the External Auditor.</p>		

Report

The External Auditor has requested that the Chairman of the Audit Committee explain how the Audit Committee gains assurance from management as shown at **Appendix 15**.

This is an annual request which is included on the agenda today so that all Members have the opportunity to consider the proposed response. The Chairman's response is shown at **Appendix 16**.

Members are recommended to agree the response and that the Chairman signs the letter to the External Auditor.

Background Papers

Nil

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 16
Date of Meeting: 5th March, 2015		
Reporting Officer: Director of Resources		
<p>Title: Annual Review of Audit Committee Effectiveness</p> <p>Summary and Conclusions:</p> <p>The annual review of Audit Committee effectiveness has been undertaken by the Chairman and Vice-Chairman with the Director of Resources. The review is presented here for endorsement by the committee.</p> <p>Recommendations:</p> <p>Members are recommended to endorse the review.</p>		

Report

The annual review of Audit Committee effectiveness has been carried out in time to be presented at this last Audit Committee before the break for elections. It seemed sensible for the current Chairman and Vice-Chairman to reflect on the Audit Committee of 2014-2015 and this has informed the review.

CIPFA recommend that an assessment is undertaken by the Audit Committee to ensure that its effectiveness is regularly reviewed. CIPFA recommend that this can be achieved by using an evaluation checklist such as CIPFA's Toolkit for Local Authority Audit Committees.

The completed checklist is attached at **Appendix 17**. The amendments following the review are presented in bold italics.

The review demonstrated that the purpose and independence of the Audit Committee has been established. Members are aware of the remit and responsibilities that the committee is charged with. The main area of discussion was the need for training. Training will be provided for Audit Committee Members and this is planned to take place before the first meeting in June.

Background Papers

Nil

		Part One
AUDIT COMMITTEE		(D) Agenda Item 17
Date of Meeting: 5th March, 2015		
Reporting Officer: Director of Resources		
<p>Title: Audit Committee Update</p> <p>Summary and Conclusions:</p> <p>This report contains an update on the 2014-2015 Accounts together with and update on current issues and developments.</p> <p>Recommendations:</p> <p>Members are recommended to receive the report and raise any questions.</p>		

Report

Statement of Accounts

The annual closedown timetable has been prepared and is being issued to Managers by the Accountants.

It is still my intention not to prepare items within the accounts and move solely to a quality assurance and technical compliance role; we are working towards that. For the 2014-2015 closedown I will prepare less items within the accounts and provide technical advice when required.

Data requests for departments, Members and officers are all prepared and will be despatched nearer to the year end.

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

The Accountancy Services Manager and the Assets Accountant have attended the CIPFA/Grant Thornton closedown workshop and have briefed the other Accountants on their return.

The Statement of Accounts document has been brought forward for updating and the working paper file structure has been brought forward ready for use. The Statement document was decluttered 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. Here I will provide Members with the Council's arrangements in relation to each item.

- 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.

Background Papers

Nil

		Part One
AUDIT COMMITTEE		(D) Agenda Item 18
Date of Meeting:	5th March, 2015	
Reporting Officer:	Director of Resources	
<p>Title: Governance and Policy Updates</p> <p>Summary and Conclusions:</p> <p>The Council's Financial Regulations, Contract Standing Orders and Anti-Fraud Policies have been reviewed to ensure that they remain relevant, current and reflect best practice.</p> <p>Recommendations:</p> <p>Members are recommended to note the report and raise any questions.</p>		

Report

The following documents have been reviewed and updated to ensure that they are relevant, current and reflect best practice:

The Financial Regulations (**Appendix 18**) provide the overall key control framework to enable the Council to exercise effective financial management and control of its resources and assets. The Regulations support and protect Members and staff in the performance of their duties where financial issues are involved.

The Contract Standing Orders (**Appendix 19**) apply to the purchase by or on behalf of the Council of works, supplies (goods) and services with a contract value of £100,000 and above.

The Anti-Fraud and Corruption Policy (**Appendix 20**) sets out the Council's commitment to the prevention and detection of fraud and corruption. It outlines the responsibilities of staff, Members and management, and sets out the procedures to be followed where suspicion of financial or other irregularity is raised.

The Whistleblowing Policy (**Appendix 21**) applies to all staff, Members and those contractors working for the Council. The Policy sets out the Council's expectation where serious concerns are raised.

These documents will be presented to the Executive Committee on the 11th March, 2015, requesting that they are recommended to Council for endorsement and adoption.

There are no significant amendments since the previous year, other than to expand some items for clarification, to tidy up some of the grammar and amend meeting titles or other documents' titles where these have altered. References to specific contractors have also been removed in favour of departmental or generic names which will not change.

Background Papers

Nil

		Part One
AUDIT COMMITTEE		(D) Agenda Item 19
Date of Meeting: 5th March, 2015		
Reporting Officer: Director of Resources		
<p>Title: Accounting Policies</p> <p>Summary and Conclusions:</p> <p>The Council's Accounting Policies have been reviewed to ensure that they remain relevant, current and reflect best practice.</p> <p>Recommendations:</p> <p>Members are recommended to approve the Accounting Policies for the Council's 2014-2015 Statement of Accounts.</p>		

Report

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

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

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

The Code has 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 is compliant and the need for any further disclosures will be reviewed against the requirements.

Changes in Accounting Policy

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

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

Future Accounting Standards – Disclosures

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

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

Accounting Policies for 2014-2015

The accounting policies for 2014-2015 are attached as **Appendix 22**. These have been reviewed and are largely unchanged from the previous year apart from re-dating for the 2014-2015 financial year and updating for the Efficiency Support Grant (Accounting Policy m.):

- Efficiency Support Grant is a revenue grant paid by Central Government in 2013/14 **and 2014/15**. It is 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**.

Background Papers

Nil

AUDIT COMMITTEE	(D) Agenda Item 20
Date of Meeting: 5th March, 2015	
Reporting Officer: Director of Resources	
<p>Title: Going Concern</p> <p>Summary and Conclusions:</p> <p>The Council is required to assess and determine that it is appropriate to prepare the financial statements on a going concern basis. The review should take account of all available information about the future, which is at least, but not limited to the next twelve months from the end of the reporting period.</p> <p>The accounts of the Council for the period 1st April, 2014 to 31st March, 2015 will be prepared on a going concern basis. This basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.</p> <p>Recommendations:</p> <p>Members are recommended to agree that the Council is a going concern and that it is appropriate for the accounts to be prepared on a going concern basis.</p>	

Report

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

The Executive Director and the Director of Resources have considered all relevant factors (see the table below) and determined that the going concern concept does apply to Barrow Borough Council.

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

Considerations	Assessment	Completed	Date
Forecasts and budgets	Council approved the budgets for 2015-2016.	Yes	March 2015
	Council approved Medium Term	No	March 2015

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

Considerations	Assessment	Completed	Date
Contingent liabilities	The Council does not have any material contingent liabilities either at the present time or forecast which are not included in the accounts.	Yes	Ongoing
Risk management	The Council has a risk management process which focuses on the business critical areas of operations and management.	Ongoing	Ongoing
Political environment	The Council has moved to a four yearly election cycle. The May 2011 elections resulted in a decisive majority for one political party. This environment provides stability in the policy making areas relating to services and the overall direction of the Council. There is a whole Council election in May 2015.	No	May 2015

Background Papers

Nil

		Part One
AUDIT COMMITTEE		(D) Agenda Item 21
Date of Meeting: 5th March, 2015		
Reporting Officer: Director of Resources		
<p>Title: Catering Contract Update</p> <p>Summary and Conclusions:</p> <p>This report updates Members on the catering contract.</p> <p>Recommendations:</p> <p>Members are recommended to note the report and raise any questions.</p>		

Report

Members have requested an update on the catering contract which was let to a new provider in July 2013. The contract consists of catering and cleaning at the Forum and the Dock Museum, with a vending service at the Park Leisure Centre.

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

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

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

Background papers

Nil

		Part One
AUDIT COMMITTEE		(D) Agenda Item 22
Date of Meeting:	5th March, 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 Register.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>		

Report

The Risk Register for January 2015 is attached as **Appendix 23** it continues to focus on those business critical risks which are under the control of the Council.

The risk register was reviewed by Management Board at their meeting in 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 will agree a new Budget Strategy for 2016-2017 to 2019-2020.

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

The following changes were made to the mitigating actions:

- Reduced grant for the Local 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.

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 change 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

Operational Risks

Management Board has agreed a number of Operational Risks and these are presented in **Appendix 24**. The Operational Risks will 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 O6 from the Director of Resources to the Assistant Director - Housing.

Background Papers

Nil.

		Part One
AUDIT COMMITTEE		(D) Agenda Item 23
Date of Meeting: 5th March, 2015		
Reporting Officer: Corporate Support Manager		
<p>Title: Code of Corporate Governance</p> <p>Summary and Conclusions:</p> <p>Provide Members with the final version of the Code of Corporate Governance.</p> <p>Recommendations:</p> <p>Members are invited to endorse this Code of Corporate Governance and agree that it can be published on the Council's website.</p>		

Report

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

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

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

The draft version was presented to Management Board at their meeting in January. The assurance group have reviewed the code and provided their feedback.

Some minor changes have been made to the wording of the document but they do not impact on its content. The Code of Corporate Governance is attached at **Appendix 25**.

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

Background Papers

Nil

AUDIT COMMITTEE	(D) Agenda Item 24
Date of Meeting: 5th March, 2015	
Reporting Officer: Corporate Support Manager	
Title: Monitoring Priority 1 Recommendations	
Summary and Conclusions:	
Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.	
Recommendations:	
Members are invited to consider the report and determine whether further action is required.	

Report

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

To ensure all agreed Internal Audit Priority 1 recommendations are implemented in a timely manner they are now tracked by Management. To date there has not been any additions to this list in 2014/15.

There is 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. The Council's Business Continuity Plan was adopted by the Executive Committee at their meeting in January 2015.

The disaster recovery arrangements involve transferring operations to the Park Leisure Centre if the Council functions cannot be operated from the Town Hall. This is part of a larger project to upgrade the Council's Wider Area Network (WAN) system. Under the new arrangements the Council's data will be stored using a replicate Storage Area Network (SAN) which is remote from the Town Hall. The data will be accessed from the leisure centre via a microwave repeater. Essential staff will migrate to the leisure centre to deliver the Council's priority services. It is anticipated that the Council will be able to deliver these priority services within 72 hours of any major disruptions which impacts on the operability of the Town Hall.

Background Papers

Nil

Barrow Borough Council Priority 1 Recommendations 2012/13

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

Audit Report	Recommendation	Responsible Officer	Current position
RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)	<p>The Council should produce a formally approved and up to date Business Continuity Plan, considering the following potential areas for inclusion:</p> <ul style="list-style-type: none"> • clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures; • approving a formal BCM policy/strategy; • reviewing and documenting the Business Critical Activities (BCAs) for each of its services; • carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA; • including a corporate incident management plan which designates a team to manage an incident, sets out procedures and 	Executive Director	Plan adopted in January 2015

Audit Report	Recommendation	Responsible Officer	Current position
	<p>resources to enable services to resume and identifies accommodation/communications for the team and key service staff;</p> <ul style="list-style-type: none"> • formulating individual departmental plans to describe the processes needed to recover from an incident affecting their BCAs; • ensuring that the plans consider the costs, feasibility and practicality of contingency measures; and • regularly testing and reviewing these arrangements. 		

