

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

## **AUDIT COMMITTEE**

Meeting, Thursday, 27th July, 2017  
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 23rd March, 2017 (copy attached) (Pages 1-14).
6. Apologies for Absence/Attendance of Substitute Members.

#### **FOR DECISION**

- (D) 7. Audit Committee Terms of Reference (Pages 15-16).
- (D) 8. Audit Committee Work Plan (Page 17).

- (D) 9. Audit Committee Assurance (Page 18).
- (D) 10. Internal Audit Final Reports (Pages 19-20).
- (D) 11. Internal Audit Annual Report (Page 21).
- (D) 12. External Audit Committee Progress Report and Update (Page 22).
- (D) 13. External Audit Fee Letter (Page 23).
- (D) 14. Annual Review of Internal Audit (Pages 24-26).
- (D) 15. Annual Review of Audit Committee Effectiveness (Page 27).
- (D) 16. Annual Governance Statement (Page 28).
- (D) 17. Risk Management (Pages 29-30).
- (D) 18. Monitoring Priority 1 Recommendations (Page 31).

## **PART TWO**

- (D) 19. Internal Audit Final Reports (Pages 32-33).

### **NOT FOR PUBLICATION BY VIRTUE OF PARAGRAPHS 2&3 OF PART ONE OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND ACCESS TO INFORMATION (VARIATION) ORDER 2006**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)  
Seward (Vice-Chair)  
Blezard  
Callister  
Gawne  
Murray

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

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## AUDIT COMMITTEE

Meeting Thursday 23rd March, 2017  
at 2.00 p.m.

PRESENT:- Councillors Seward (Vice-Chairman), Gawne and Sweeney.

Officers Present:- Susan Roberts (Director of Resources), John Penfold (Corporate Support Manager), Kim Fisher (Contracts and Procurement Officer), Brooke Parsons (Corporate Support Assistant), Keely Fisher (Democratic Services Officer) (for Minute Nos. 42-44 only), Sharron Rushton (Democratic Services Officer (from Minute No. 44) and Katie Pepper (Democratic and Electoral Services Apprentice).

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

### 42 – Minutes

The Minutes of the meeting held on 22nd December, 2016 were taken as read and confirmed.

### 43 – Apologies for Absence/Attendance of Substitute Members

Apologies for absence had been received from Councillors Burns, Blezard and Callister.

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

### 44 – Internal Audit Final Reports

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

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

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

1. Accounts Receivable – Substantial Assurance
2. Income Collection – Substantial Assurance
3. Cash Floats and Receipting Controls – Substantial Assurance
4. Accounts Payable – Substantial Assurance
5. Payroll – Substantial Assurance
6. Risk Management – Substantial Assurance
7. Housing Benefits – Substantial Assurance
8. Cumbria Housing Partners: Housing Maintenance - Void Repairs (2016-2019) – Substantial Assurance

Members considered the reports and raised their concerns with the Council's Internal Audit Manager.

RESOLVED:- To note the Internal Audit Final Reports.

#### **45 – Internal Audit Progress Report**

The Director of Resources reported that the Internal Audit Progress report for the period 1st April, 2016 to 10th March, 2017 had been produced by the Council's Internal Audit Manager.

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

There had been no Priority 1 recommendations since the previous Audit Committee.

The report contained a Statistical Summary of the number of Audit recommendations (61). It was noted that 53 recommendations had been Fully Accepted and 8 recommendations had been Partly Accepted. Each of the recommendations had been assigned a Priority Grade 1-3, 1 being major issues and 3 minor issues. 4 had been rated a Priority 1, 41 had been rated Priority 2 and 16 had been rated Priority 3.

RESOLVED:- That the report be received.

#### **46 – Internal Audit Annual Plan**

The Director of Resources reported that the Internal Audit Annual Plan for 2017-2018 had been produced by the Council's Internal Audit Manager.

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

A copy of the Internal Audit Plan for 2017-2018 had been appended to the report.

RESOLVED:- That the Internal Audit Annual Plan for 2017-2018 be agreed.

#### **46 – External Audit – Committee Update**

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



A table of progress as at 10th March, 2017 had been presented as follows:-

Work Undertaken	Expected Date of Completion	Comments
<b>Fee Letter</b> We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016	April 2016	The fee letter was issued in April 2016
<b>Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2016-17 financial statements	March 2017	The Audit Plan is a separate item on the agenda for today's meeting
<b>Interim accounts audit</b> Our interim fieldwork visit includes: <ul style="list-style-type: none"> <li>• updating review of the Council's control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Value for Money conclusion risk assessment</li> </ul>	December 2016 - March 2017	We commenced our interim audit in December 2016. As part of an initial visit we updated our documentation relating to the Council's key accounting systems. We also completed walk through testing to confirm the expected controls were in place in relation to those systems which are associated with the risks set out in our audit plan. We are currently completing the second phase of our interim work which comprises detailed testing of transactions recognised in the first eleven months of the financial year. As part of this work, we will also review the proposed prior year adjustment in respect of the changes to the presentation of income and expenditure which CIPFA have introduced this year.

2016/17	Expected Date of Completion	Comments
<b>Final Accounts Audit</b> Including: <ul style="list-style-type: none"> <li>• audit of the 2016-17 financial statements</li> </ul>	June and July 2017	We have agreed with the Director of Resources that we will commence our post

<ul style="list-style-type: none"> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> <li>• review of the Council's disclosures in its financial statements against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17</li> </ul>		<p>statements fieldwork in June 2017 with a view to reporting the outcome of our work to the Audit Committee in July 2017. We plan to issue our audit opinion by 31st July 2017.</p>
<p><b>Value for Money (VfM) conclusion</b></p> <p>The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	<p>March - June 2017</p>	<p>The outcome of our initial risk assessment is reported as part of the Audit Plan which is an item on the agenda for today's meeting. We have commended our detailed work on the risks identified and will report our findings as part of our Audit Findings Report which will be presented to the Audit Committee in July 2017</p>

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

#### 47 – External Audit Annual Plan

The Director of Resources reported that External Audit Plan for the year ended 31st March, 2017 was complete and was attached as an appendix to the report.

RESOLVED:- To agree that the External Audit Plan for the year ended 31st March, 2017 be accepted.

#### 48 – Audit Committee Update

The Director of Resources submitted a report providing an update on finance and governance related issues.

#### Protecting the Public Purse

The second Protecting the English Public Purse (PEPP 2016) report by The European Institute for Combatting Corruption and Fraud (TEICCAF) had been published in January 2017.

For England the total value of fraud types for 2015/16 were\*\*:

	No. of Cases Investigated			Value of investigation		
	2014/15	2015/16	% Var	2014/15	2015/16	% Var
Housing Benefit	27,300	13,830	-49.34	£ 109,707,000.00	£	-52.15
Tenancy	2,993	2,787	-6.89	£ 53,874,000.00	£	-7.32
Right to Buy	411	2,253		£ 30,200,000.00	£	34.91
Council Tax	48,000	79,283	65.17	£ 18,600,000.00	£	68.82
Business Rates	171	233	36.45	£ 1,100,000.00	£ 2,700,000.00	145.45
Procurement	86	167	93.80	£ 2,300,000.00	£ 3,850,000.00	67.39
Insurance	473	787	66.31	£ 9,200,000.00	£ 7,500,000.00	-18.48
NRPF	444	183	-58.71	£ 7,100,000.00	£ 5,700,000.00	-19.72
Other		2,407			£	
Councillor/Employee		367			£ 330,000.00	

\*\* Variable figures used and RTB and Tenancy split in this table.

\*\* Fraud stats are calculated based on the 60% sample we achieved.

\*\* RTB is calculated on the figure provided by the LA, NOT the Notional Figure.

The Borough Council's cases included in the table were 7, all Housing Benefit (prior to the Single Fraud Investigation Service) with a value of £57,000.

TEICCAF had developed a checklist and had recommended that all authorities undertook it as a self-assessment:

Description	Tick as appropriate
Every local authority undertakes an assessment of its financial irregularity, fraud & corruption risk	✓ Anti-Fraud Policies Risk Register
This assessment is reported to its senior management board and members. The assessment must be included in the authorities risk management process and the responsibility of the appropriate portfolio holder.	✓ Anti-Fraud Policies Risk Register

An annual response plan is created to mitigate the identified risk and should include;  Prevention Detection Redress	✓ Anti-Fraud Policies
Ensure that proportionate resources are in place to meet the requirements of the response plan.	✓ Internal Audit Plan
Professionally trained, accredited investigators will require appropriate knowledge/training in all areas of identified risk throughout the authority.	✓ Skills required are in place.
Compile a programme of both proactive and reactive work in line with the identified risk.	✓ Internal Audit Plan  Annual financial reviews and spot checks
Ensure you have appropriate and proportionate defences against new and emerging risk.	✓ Anti-Fraud Policies  NAFN & NFI
A Counter Fraud and Corruption policy is required and reviewed annually. This must be communicated to the whole authority.	✓ Anti-Fraud Policies
Fraud awareness sessions for all staff delivered, at least annually.	✓ Service specific  Policies communicated
The Investigations team keeps adequate records and frequently reports to senior management on its work and findings.	✓
Any identified areas of weakness must be highlighted and reported to each department.	✓

The Council's Anti-Fraud Policies were kept under continuous review for regulatory changes, best practice and any improvements coming from actual incidents and their resolution.

#### External Audit Contract

Following the Full Council decision on 17th January, 2017, Public Sector Audit Appointments Ltd had confirmed that the Council was an opted-in authority for the purposes of the appointment of a local auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015. The opt-in covered a period of five years from 1st April, 2018.

#### Housing Benefit Certification

From 1st April 2018, Public Sector Audit Appointments (PSAA Ltd) would no longer oversee or appoint auditors for Housing Benefit Certification work. From then on, the DWP would assume responsibility for issuing guidance and providing

support for this assurance process - however, the DWP would not appoint auditors on behalf of local authorities.

Local authorities would need to procure the services from an ICAEW (Institute of Chartered Accountants) accredited accounting firm (the same firms that were currently involved) for this work. The deadline for this appointment would be 1st March, 2018, for the 2018-2019 subsidy year. Opting into the Sector-Led Body arrangement with PSAA Ltd for the appointment of auditors for final accounts, does not include the assurance of Housing Benefit Certification work, this must be procured separately.

Following consultation with key stakeholders, including a number of Local Authority representatives, the DWP would publish the full Housing Benefit Certification assurance guidance including engagement instructions and detailed testing instructions on gov.uk by 31st March, 2017.

The quantum of work would remain unchanged, current procedures for testing would remain the same with the initial samples of 20 cases and additional 40+ testing where required and so on.

Once the guidance and instructions were available the Director of Resources would progress this matter. The Director of Resources would also liaise with colleagues through the Cumbria Chief Finance Officers Group.

#### Audit of 2015-2016

The Audit Findings Report relating to 2015-2016 identified a number of actions for management which were accepted and an implementation date and responsibility were agreed.

The current position was set out in the table attached to the report.

#### Statement of Accounts 2016-2017

The timetable for the Statement of Accounts 2016-2017 had been prepared. Members would recall that the Statement of Accounts for 2017-2018 must be prepared by 31st May, 2018, audited and issued by 31st July, 2018. To prepare for that the Council had brought the timetable forward and the Audit Committee on 27th July, 2017, would receive the Statement of Accounts for 2016-2017; and Annual Governance Statement.

Officers in the Finance Department had attended the annual closedown events. The Accountancy Services Manager had agreed where the Councils estimation processes could be speeded up without any material impact on the figures produced, and where data could be gathered earlier than previous years; these alterations had been discussed with the Director of Resources and with the External Auditors.

There were a number of changes in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (Code). The main changes that directly impacted the Borough Council were the amendments to reflect the understandability of local authority financial statements – the Narrative Report

was introduced with the 2015-2016 Statement of Accounts; and the amendments to reflect the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and to introduce a new Expenditure and Funding Analysis as a result of the Telling the Story review of the presentation of local authority financial statements.

The reporting and monitoring of Council finances would be mirrored in the statements within the Accounts and these generally, apart from a handful of cost centres, followed the lines of responsibility of Management Board.

### Policy Reviews

The Audit Committee Work Plan included an update on the review of Financial Regulations, Contract Standing Orders and Anti-Fraud Policies.

There were no changes or revisions from those reviews being reported to the Executive Committee at this time.

RESOLVED:- To receive the report.

### **49 – 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, 2016 to 31st March, 2017 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.

Management Board 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.

### **50 – 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.

#### 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, it was necessary to disclose the nature of the change, the reasons why applying the new accounting policy provided reliable and more relevant information and the required restatements.

#### 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 an explanation of the impact that the introduction of the new standard 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 2016-2017

The following changes had been made:

- Financial years and dates had been updated as appropriate;
- Employee benefits (h), termination benefits had been updated with the following text appended in relation to enhanced voluntary redundancy payments;

A subsequent variation was agreed by the Council with the 2016-2020 Budget Strategy, for the Borough Kennels and Playgrounds Team to access the enhanced voluntary redundancy scheme from 7th September, 2016 until the 30th June, 2017.

- Overheads and Support Services (p) had been updated in relation to
  - Corporate and Democratic Core, and
  - Non Distributed Costs:

These two cost categories were defined in the Service Reporting Code of Practice and were previously accounted for as separate headings in the Comprehensive Income and Expenditure Statement; these now formed part of the Corporate and Democratic Services heading which remained part of Net Expenditure on Continuing Services.

Should any further revision be necessary during the closedown process, this would be reported to the next Audit Committee with the Statement of Accounts.

The Accounting Policies were attached as an appendix to the report for the Council's 2016-2017 Statement of Accounts.

RESOLVED:- To approve the Accounting Policies for the Council's 2016-2017 Statement of Accounts.

### **51 – Audit Committee Assurance**

The Director of Resources reported that the External Auditor had requested the Chairman of the Audit Committee explained how assurance from management was obtained and the request was attached as an appendix to the report.

The Chairman's response was also appended to the report and Members were recommended to receive and agree the Chairman's response. The response would be reconsidered by the Chairman at the beginning of April to ensure that the full financial year was reflected. Any material changes to the response outlined would be reported to the next Audit Committee.

RESOLVED:- To receive and agree the Chairman's response.

### **52 – Audit Committee Work Plan**

The Director of Resources submitted a report setting out the Work Plan for the Audit Committee for 2017-2018.

The Audit Committee Work Plan was appended to her report and would be the basis for the agenda of the meetings in 2017-2018.

The items listed within the plan were not exclusive as other items could be brought to the Audit Committee as appropriate. Any recurring items would be built into the Work Plan.

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

RESOLVED:- To agree the Audit Committee Work Plan for 2017-2018.

### **53 – Risk Management Report**

The Corporate Support Manager attached as an appendix to his report the Risk Register for 2016/17. He reported that the Register continued to focus on Business Critical Risks which were under the control of the Council.

The Risk Register was presented to Management Board at their meeting on 20th February, 2017 and no changes were made.

The Operational Risk Register was also attached as an appendix to the Corporate Support Manager's report.



The Risk Register was presented to Management Board at their meeting on 20th February, 2017 and no changes were made.

A review of both Risk Registers would be undertaken at the start of the next financial year.

RESOLVED:- To note the report.

#### **54 – 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.

There was one Priority 1 recommendation from: Internal Audit Final Report CR 84 - Barrow Cemetery North West Extension.

The Council should ensure that tenders received which are found to be incomplete, were returned to the contractor and not included within the evaluation process.

The Council's Contract Standing Order 8 stated "Only valid tenders may be considered for the contract award; received on time and containing all relevant information".

Internal Audit reviewed the six tender documents received and noted that one of the tenders did not include the Form of Tender Incorporating Collusive Tendering Certificate.

Failure to complete, sign and return the Certificate with the Bill of Quantities invalidated the tender. The tender was however accepted and included for evaluation. Should this tender have been found to be the lowest accepted, the Council may have been subject to appeals from the unsuccessful tenderers.

Rejecting this tender would have confirmed the Council's policy to require contractors to provide all the documentation requested and confirmed compliance with Council Standing Orders.

The Assistant Director of Regeneration and the Built Environment had accepted that this should not have happened.

RESOLVED:- To note the report.

## **55 – 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 for preparing the Code was provided by the Chartered Institute for Public Finance and Accountancy (CIPFA).

CIPFA revised the 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.

Although the core principles had not changed significantly following the revision the layout had changed and sub-principles have been introduced.

The Code would be submitted to Management Board at their meeting on 27th March, 2017.

The Committee was invited to endorse the Code which was attached as an appendix to the report.

RESOLVED:- To endorse the Code of Corporate Governance.

## **56 – Retirement of External Auditor**

The Director of Resources informed the Committee that Jackie Bellard, External Auditor from Grant Thornton would be retiring. She thanked Jackie on behalf of the Committee for all her work and wished her well in her retirement.

The meeting closed at 3.14 p.m.

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 7</b>
<b>Date of Meeting: 27th July, 2017</b>		
<b>Reporting Officer: Director of Resources</b>		
<b>Title: Audit Committee Terms of Reference</b>		
<b>Summary and Conclusions:</b>		
The Audit Committee Terms of Reference are set out in this report.		
<b>Recommendations:</b>		
To receive and note the report.		

### **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.

There are no changes from 2016-2017.

### **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

<b>AUDIT COMMITTEE</b>		<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>8</b>
<b>Date of Meeting: 27th July, 2017</b>		
<b>Reporting Officer: Director of Resources</b>		
<b>Title: Audit Committee Work Plan</b>		
<b>Summary and Conclusions:</b>		
This report sets out variations to the Work Plan for the Audit Committee for 2017-2018 relating to the Statement of Accounts.		
<b>Recommendations:</b>		
To agree the variations to the Work Plan for 2017-2018.		

### **Report**

The Audit Committee Work Plan was presented at the previous Audit Committee. It has been necessary to vary the timing of the items relating to the Statement of Accounts originally planned for July and these items will be presented at the September Audit Committee:

- To review and approve the Statement of Accounts
  - Director of Resources
    - Statement of Accounts
    - Letter of Representation
- To consider and approve the Annual Governance Statement
  - Corporate Support Manager
    - Final Annual Governance Statement
- To consider the External Audit Annual Governance Report
  - Appointed Auditor
    - Annual Governance Report

The Statement of Accounts was published and issued (in draft) on the 2nd June, 2017, ahead of the 30th June, 2017, statutory deadline. From next year the statutory deadline is the 31st May; I am confident that the Finance Department can achieve that deadline, given the pre-work, adjustments and achievements of this year.

Members are recommended to agree the variations to the Work Plan for 2017-2018.

### **Background Papers**

Nil

<b>AUDIT COMMITTEE</b>		<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>9</b>
<b>Date of Meeting: 27th July, 2017</b>		
<b>Reporting Officer: Director of Resources</b>		
<b>Title: Audit Committee Assurance</b>		
<b>Summary and Conclusions:</b>		
The Chairman of the Audit Committee has provided the External Auditor with details of how the Audit Committee gains assurance from management.		
<b>Recommendations:</b>		
To note that the Chairman has responded to the External Auditor.		

### Report

The External Auditor requested that the Chairman of the Audit Committee explain how assurance from management is obtained. The Chairman's response was agreed at the previous Audit Committee meeting, subject to being reconsidered by the Chairman at the beginning of April to ensure that the full financial year was reflected.

This report confirms that the Chairman has responded to the External Auditor and that there were no changes to the response that was previously agreed.

### Background Papers

Nil

<b>AUDIT COMMITTEE</b>		<b>Part One</b>  <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>10</b>
<b>Date of Meeting: 27th July, 2017</b>		
<b>Reporting Officer: Director of Resources</b>		
<b>Title: Internal Audit Final Reports</b>		
<b>Summary and Conclusions:</b>		
Internal Audit performs audits in accordance with the approved Annual Plan. Final reports are presented to Members by the Head of Internal Audit.		
<b>Recommendations:</b>		
To receive the Internal Audit Final reports and raise any questions.		

### Report

There are six final reports for consideration by Members:

- 16-09 Performance management - restricted assurance due to the volume of recommendations; no Priority 1 recommendations - **Appendix 1**
- 16-17 Procurement - restricted assurance; one Priority 1 recommendation - **Appendix 2**
- 16-28 Kennels - restricted assurance due to the volume of recommendations; no Priority 1 recommendations - **Appendix 3**
- IT62 Payment card security (PCI-DSS) – substantial assurance - **Appendix 4**
- CR111 Housing management system - restricted assurance; one Priority 1 - **Appendix 5**
- CR116 Cumbria Housing Partners disabled adaptations - substantial assurance - **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 16-09**  
**PERFORMANCE MANAGEMENT**

## **Executive Summary**

### **Introduction**

In recent years, the Council has introduced performance management arrangements which provide a tangible link to corporate aims and service operation. Performance is measured against both the corporate objectives and the operational service indicators, with monitoring information being reported to the Executive Committee.

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

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

### **Audit Objectives**

An audit of this system forms part of the agreed 2016/17 programme. The audit objectives were to review the high-level internal controls relating to Performance Management and to assess the integrity of data for a sample of indicators. The scope and objectives of the audit were discussed and agreed in advance with the Corporate Support Manager.

#### **Key Points**

**Restricted Assurance**

**Five important issues**

**One minor issue**

**Eight previous recommendations**

### **Audit Conclusion – *Restricted Assurance***

As a result of the audit we have concluded that, while a sound system of control is being developed, the pace of change appears to have slowed and there are currently weaknesses which may put some of the system objectives at risk. We have made five Priority 2 recommendations which concern:

- the Council:
  - a) considering its aims and objectives for effectively managing the performance of its services;
  - b) determining the appropriate mechanism for delivering those aims and objectives; and
  - c) reviewing all outstanding audit recommendations to decide whether they are still relevant for future performance management arrangements;

- the Council reviewing and documenting the principles applied to setting service performance targets, to include:
  - a) amending its Priorities document to clarify which indicators require targets and which are simply measures;
  - b) defining the relationship between the current year's targets and the previous year's targets/actuals; and
  - c) considering consistently setting challenging targets to improve services.
- the Assistant Director Community Services:
  - a) reviewing the method used to produce user number statistics for the Park Leisure Centre;
  - b) considering whether the Exerp leisure management system is appropriate for use at the Centre;
  - c) urging Pulse to correct identified deficiencies in the system; and
- the Park Leisure Centre Manager producing guidance notes for the production of her performance statistics; and
- the Council ensuring that performance information is only published when it has confidence in the accuracy of the data.

Lastly, we have made one Priority 3 recommendation, relating to:

- the Forum Manager producing guidance notes for the production of her performance statistics.

Internal Audit also reviewed the two agreed recommendations made in the previous audit report 15-09, dated December 2015. One recommendation has been implemented and one recommendation remains outstanding, relating to:

- ensuring that annual targets and officer responsibilities for service performance indicators are formally approved by Members at the start of each financial year (Priority 2).

Internal Audit also reviewed the five outstanding recommendations made in the previous audit report 14-09, dated January 2015. One recommendation has been partially implemented; the remaining element is outstanding, as are the other four recommendations. These relate to:

- considering further developing current arrangements to concentrate on the management of performance rather than just its recording and monitoring (Priority 2);
- clarifying Members' role in the performance management process (Priority 2);
- determining individual managerial responsibilities for each target (Priority 2);
- reconsidering introducing independent checks of data used to produce performance measures to ensure their integrity (Priority 3); and
- considering providing appropriate training for Members and Managers when the new performance management arrangements are fully embedded (Priority 3).

Finally, we reviewed the four outstanding recommendations made in the previous audit report 12-04, dated May 2013. Two recommendations have been implemented and

part of one recommendation has been overtaken by events; the remaining element of that recommendation is outstanding, as is the other recommendation. These relate to:

- updating corporate performance management documentation, including the Performance Management Framework (Priority 2); and
- revising the 'performance information' held on the website to provide up to date indicator data and related guidance within the appropriate sections (Priority 3).

### **Management Response**

We have received constructive management responses from the Corporate Support Manager, Director of Resources and the Forum Venue 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 16-17**  
**PROCUREMENT**

## **Executive Summary**

### **Introduction**

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

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

The Finance Department manages the ordering processes using the Oracle Financials system and the Council's Purchasing Procedure was last updated in May 2015. To assist with this review the Procurement Officer has acted to obtain supporting information during the latter stages of the audit.

### **Audit Objectives**

An audit of this system forms part of the agreed 2016/17 programme. The audit objectives were to evaluate and test controls relating to the Purchasing Procedure and ordering systems, particularly compliance with relevant competition requirements. The scope and objectives of the audit were discussed in advance with Technical Services and Financial Services.

### **Audit Conclusion – *Restricted Assurance***

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

We have made one Priority 1 recommendation which concerns officers ensuring that all relevant supporting documentation relating to procurements are retained and are readily available for inspection to confirm compliance with the Council's purchasing procedures.

<b>Key Points</b>
<b>Restricted Assurance</b>
<b>One major issue</b>
<b>Three important issues</b>
<b>Six previous recommendations</b>

We have also made three Priority 2 recommendations which concern the Council:

- reviewing the procurement of the Legal Service Framework Agreement;
- giving consideration to amending the Purchasing Procedure to include a requirement that the Procurement Officer is notified of all potential expenditure above a certain level prior to any prices/quotations being sought; and
- considering the introduction of a requirement to openly advertise for expenditure levels below those requiring compliance with Contract Standing Orders.

Internal Audit reviewed the eight agreed recommendations made in Audit Report 15-17, dated September 2016. Three recommendations have been implemented and five recommendations remains outstanding, which relate to:

- ensuring that procurements/purchases are consistently made in accordance with the competition requirements of its Purchasing Procedure (Priority 1);
- ensuring that correctly authorised official purchase orders are issued for all relevant supplies in accordance with the Authority's procedures (Priority 1);
- giving consideration to performing a regular review of total annual payments to suppliers in order to identify whether Contract Standing Orders should have been followed in specific instances (Priority 2);
- ensuring that it's intranet site includes only the most up to date Procurement information and guidance; and out of date procedures are removed (Priority 2); and
- giving consideration to formalising the approval process for continual/ongoing or "add-on" services through an appointed supplier, i.e. maintenance/upgrades etc. (In addition this provision should also be included within the agreement/contract.) (Priority 2).

Internal Audit also reviewed the one outstanding recommendation made in Audit Report 11-18, dated June 2012. The recommendation remains outstanding and relates to clarifying the correct procedure to be adopted when the required number of quotations for supplies cannot be obtained (Priority 2).

### **Management Response**

We have received a constructive management response from the Management Board, accepting all recommendations.

### **Acknowledgement**

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

<b>Recommendation 1</b>	<b>Responsibility: Management Board</b>	<b>Priority: 1</b>
<p>Officers should ensure that all relevant supporting documentation relating to procurements are retained and are readily available for inspection to confirm compliance with the Council's purchasing procedures.</p>		
<b>Rationale</b>		
<p>Internal Audit selected a sample of 50 applicable procurements/purchases during 2016 and reviewed whether the documentation supporting the choice of supplier indicated compliance with the competition requirements of the Purchasing Procedure.</p> <p>Despite numerous requests and the intervention of the Council's Procurement Officer, we were unable to obtain supporting documentation from the Streetcare Department (eight cases). (A number of other areas took between one and two months to provide information which was expected to be readily available.)</p> <p>Therefore, we are unable to provide any assurance that the Council's procurement procedures are being followed within this department.</p> <p>In addition we were unable to obtain supporting documentation in two instances from the Housing Department and one from the Regeneration &amp; Built Environment Division.</p>		
<b>Management Response</b>		
<p>Managers will be reminded that supporting documents should be retained and produced upon request. The planned procurement review will be followed by briefings which will reemphasise the Council's requirements.</p>		
<b>Accepted</b>	<b>Implementation Deadline:</b>	<b>March 2018</b>

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 16-28**  
**KENNELS**

## Executive Summary

### Introduction

The Council's Streetcare team are responsible for the management of the Kennels, which are primarily 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. 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 through an "informal arrangement", although they remain housed at the Kennels; these charities issue vouchers to be presented to reclaim dogs after the initial seven day period.

### Audit Objectives

An unannounced spot check was carried out at the Kennels by Internal Audit in order to perform an implementation review of the previous audit report.

### Audit Conclusion – *Restricted Assurance*

As a result of the review we have concluded that there are significant weaknesses which put the system objectives at risk. We have made four Priority 2 recommendations, which concern:

- reviewing fees and charges to ensure they are relevant and up to date;
- ensuring that the recharges to animal charities are accurate, and invoiced on a regular and timely basis;
- ensuring that weekly reconciliations of cash held at the Kennels, to income received are carried out; and
- confirming the procedure for payments relating to dog adoptions and ensuring that income received is reconciled to supporting records.

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

- regularly reconciling third party cremation fees to income received for cremation services; and
- ensuring that all receipt books in use are official Council stationery and obtained through the Finance department.

Key Points
Restricted Assurance
Four important issues
Two minor issues
Four Previous Recommendations

Internal Audit also reviewed the four outstanding recommendations made in the previous audit report 14-30, dated June 2015. All recommendations remain outstanding and concern:

- 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. (Priority 2);
- the Streetcare department should ensure that all sums banked from the Kennels are supported by a detailed listing of transactions which comprise the total amount banked. (Priority 2);
- 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. (Priority 2); and
- the Streetcare 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. (Priority 3).

### **Management Response**

We have received a constructive management response from the Streetcare 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 62**  
**PCI-DSS REVIEW**

## **Executive Summary**

### **Introduction**

In accordance with the 2016/17 Internal Audit Plan, a review has been undertaken to assess the Council's compliance with the Payment Card Industry Data Security Standards (PCI-DSS).

PCI DSS is a proprietary information security standard for organisations that handle credit cards from the major card suppliers. The PCI Standard is mandated by the major banks and card brands and is administered by the Payment Card Industry Security Standards Council. Validation of compliance is performed annually and for organisations of the Council's size, this is via a self-assessment questionnaire.

Failure to maintain compliance may result in increased banking and insurance charges and any data loss or disclosure could result in reputational damage and action from the Information Commissioner's Office.

Topics covered within the audit were:

- Policy and Management
- Training and Awareness
- Network Security
- Data Storage and Transmission
- System Acquisitions and Developments

### **Audit Objectives**

The audit was agreed with management as part of the 2016/17 IT Audit coverage. The purpose of the audit is to confirm that the management and operation of card payments are effective; and to provide reasonable assurance that the annual questionnaire is being completed correctly and that compliance with PCI-DSS is being maintained.

The scope of the audit was discussed and agreed with the Financial Services Manager and the IT Team Leader, before the start of the audit.

#### **Key Points**

**Substantial Assurance**

**Two important issues**

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

As a result of the audit we have concluded that there are weaknesses which place some of the objectives at risk. We have identified two important issues but these concerns apart, we found the application of controls to be reasonable; and are therefore able to provide substantial assurance.

We have made two Priority 2 recommendations, as follows:

- The storage of postal Parking Charge Notice documents containing payment card details should be reviewed and an appropriate retention period agreed and implemented.
- The Corporate Support Manager should arrange for the Security Requirements Template, for system acquisitions detailed within the Security Policy, to be updated to reflect PSN and PCI-DSS requirements. Also, updates to the Security Policy and Security Requirements Template should be made to clarify that internally developed systems are subject to the same standards as purchased products.

### **Management Response**

We have received a constructive management response from the Parking and Admin Services Manager and the Corporate Support Manager accepting each of the recommendations.

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR 111**  
**REPLACEMENT HOUSING MANAGEMENT SYSTEM**

## Executive Summary

### Introduction

In 2014, the Council's Housing Department carried out a comprehensive ICT systems review which concluded that the current In-house system met only 50-60% of the Council's needs and would not be capable of supporting future requirements. In June 2015, Members approved the procurement, using the Crown Commercial Service framework, of a single integrated housing management system to replace the existing software, together with IT consultants to assist in the selection and implementation process.

All relevant suppliers on the Crown framework were invited to tender for the provision of a new system, of which five subsequently submitted a tender. Three suppliers were shortlisted following a tender evaluation which assessed the best match of system functionality to the Council's key requirements at the lowest cost. Further evaluation, based on the demonstration of each system to appropriate Council staff, identified Civica cx as the preferred supplier.

Tenders were reported to the Housing Management Forum in November 2015, when Civica's submission of £218,576 was expressed as a cost of £307,155 over five years, including maintenance and support costs of £88,579; the latter represented a considerable saving on the current costs of the In-house system. Council on 19 January 2016 approved the choice of the Civica cx system with a "go live" date of June 2017.

### Audit Objectives

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

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

#### Key Points

##### Restricted Assurance

One major issue

Two important issues

One minor issue

### **Audit Conclusion – Restricted Assurance**

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

We have made one Priority 1 recommendation, which concerns:

- the Business Support Manager:
  - a) confirming whether the invitations to tender for the supply of the replacement housing management system complied with the requirements of the Council's Contract Standing Orders;
  - b) ensuring that future tender exercises comply with Contract Standing Orders by using a recognised and secure method of invitation and return;
  - c) explaining why the recording and opening of tenders for this project did not follow the procedure set out in Contract Standing Orders; and
  - d) confirming that the five submitted tenders which were progressed to the evaluation stage of this project had been received on time and were complete in every respect.

In addition, we have made two Priority 2 recommendations, which relate to:

- the Business Support Manager ensuring that the Contract Management Checklist is fully completed for each stage of a project's progress and submitted to Internal Audit for review, accompanied by a physical contract file containing copies of key prime documents, as required by Contract Standing Orders; and
- the Business Support Manager confirming whether the procurement of the IT consultant to assist in the management of this project complied with the requirements of the Council's Purchasing Guide.

We have also made one Priority 3 recommendation which concerns the Business Support Manager confirming whether the changes from the tender figures have been negotiated and formally agreed with Civica.

### **Management Response**

We have received a constructive response from the Business Support Manager commenting on the recommendations made.

### **Acknowledgement**

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

<b>Recommendation 1</b>	<b>Responsibility: Business Support Manager</b>	<b>Priority: 1</b>
<p>The Business Support Manager should:</p> <ol style="list-style-type: none"> <li>confirm whether the invitations to tender for the supply of the replacement housing management system complied with the requirements of the Council's Contract Standing Orders;</li> <li>ensure that future tender exercises comply with Contract Standing Orders by using a recognised and secure method of invitation and return;</li> <li>explain why the recording and opening of tenders for this project did not follow the procedure set out in Contract Standing Orders; and</li> <li>confirm that the five submitted tenders which were progressed to the evaluation stage of this project had been received on time and were complete in every respect.</li> </ol>		
<p><b>Rationale</b></p> <p>Internal Audit reviewed the management of this contract up to the stage where tenders had been received, a preferred supplier chosen and a formal contract finalised. Several areas were identified where the process had not complied with the requirements of the Council's Contract Standing Orders.</p> <ol style="list-style-type: none"> <li>All tender invitations are required to be in a common format, refer to specified information and include the Council's standard form of tender and non-collusion certificate.</li> </ol> <p>Thirteen software suppliers were invited to tender for the provision of the housing management system. Internal Audit were provided with a copy of the invitation issued to suppliers which indicated the tender documentation did not comply with Contract Standing Orders in several areas, including:</p> <ul style="list-style-type: none"> <li>the use of a standard form of tender and non-collusion certificate;</li> <li>insurance requirements;</li> <li>a requirement for the contractor to comply with all data protection, equalities, bribery and corruption legislation; and</li> <li>a note that the Council is not bound to accept any tender.</li> </ul>		

- b) Tenders should be invited and returned using either an approved electronic system (eg the Chest or CHP's Procure Plus system) or issued by hard copy and returned in sealed, unmarked envelopes. This process provides for the security and confidentiality of tenders until opened.

Information supplied to Internal Audit indicated that the invitations for this project were issued by e-mail, with tender documents attached, and that tenders were to be returned by e-mail.

- c) Contract Standing Orders require tenders for a particular contract to be held securely until opening and then opened at the same time by the project manager together with the Chairman or Vice-Chairman of the Executive Committee and the Democratic Services Manager; or their representatives. Details of the tenders, the dates of their receipt and of their opening must then be recorded in the tender opening register.

The Contract Management Checklist for this project records that the opening register was not used. Further, Internal Audit could find no evidence that the five tenders received for this contract were opened at the same time and by the correct set of persons.

- d) Contract Standing Orders state that only valid tenders may be considered for the contract award, ie those received on time, containing all relevant information and complying with the tender instructions. A signed standard form of tender and collusion certificate are required with each submission.

From the information supplied with the Contract Management Checklist, Internal Audit were only able to confirm that two of the five tender submissions had been received before the tender deadline. None of the submissions had been provided with the Checklist, so Internal Audit were unable to confirm that they were complete and in accordance with tender instructions.

Although not supplied for review, the Business Support Manager has subsequently indicated that the five submissions were available for review.

### Management Response

- a. Crown Commercial Services process used, therefore not full compliance.
- b. We will attempt to comply with Contract Standing Orders.
- c. As a. above; and also no contracts/procurement resource to guide.
- d. All 5 tenders were received on time, but one rejected as this did not meet the requirements.

Accepted	Implementation Deadline:	Implemented as far as practical
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**CONTRACT PARTICULARS**

Contract Title:	Replacement Housing Management System
Form of Contract:	Government Procurement Service: Call Off Order Form and Call Off Terms for Local Authority Software Applications
Contractor:	Civica UK Limited
Consultants:	Stuttard Davies Limited
Tender Sum (per HMF Report): Contract Sum (per Call-Off Contract):	£307,155 £307,900 (Five year costs)
Commencement Date:	1 February 2016
Date for Completion:	30 June 2022
Date of Practical Completion:	n/a
Extension of Time Granted:	n/a
Delay in Completion:	n/a
Liquidated and Ascertained Damages provision/required:	None required
Minimum Insurance Cover and Actual Insurance Cover Confirmed	£10m Employers Liability £10m Public Liability £1m Professional Indemnity
Minimum Bond Required	None required
Retention Amount	Not required – staged payments apply
Latest Contract Valuation:	n/a
Anticipated Final Account Sum:	n/a

## BARROW BOROUGH COUNCIL

## INTERNAL AUDIT FINAL REPORT CR116

## CHP: DISABLED ADAPTATIONS (2016-2019)

**Executive Summary****Introduction**

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

The contract was awarded following a "mini competition" within the Procure Plus framework to Top Notch Contractors Limited; with budgeted expenditure of £100,000 per annum.

**Audit Objectives**

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

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

**Key Points**

**Substantial Assurance**

**One minor issue**

**Audit Conclusion – Substantial Assurance**

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

We have made one Priority 3 recommendation which concerns the Asset & Maintenance Manager ensuring that the tender notice includes a note stating that the Council is not bound to accept any tender.

**Management Response**

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

**Acknowledgement**

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



**CONTRACT PARTICULARS**

Contract Title:	CHP Disabled Adaptations (2016-2019)
Contract Form:	Procure Plus framework agreement
Contractor:	Top Notch Contractors Limited
Engineer:	n/a
Quantity Surveyor:	n/a
Other Consultants	Baker Mallett – Principal Designer
Tender Sum:	n/a
Contract Sum:	c £300,000
Date for Possession:	n/a
Date for Completion:	n/a
Date of Practical Completion:	n/a
Extension of Time Granted:	n/a
Delay in Completion:	n/a
Liquidated and Ascertained Damages provision/paid/received:	n/a
Minimum Insurance Cover Required & Cover Confirmed	£10m Employers Liability £5m Public Liability
Minimum Bond Required	n/a
Retention Amount	n/a
Final Contract Valuation:	n/a
Anticipated Final Account Sum:	n/a
Percentage increase/decrease: Final Valuation against Contract Sum	n/a

<b>Part One</b>	
<b>AUDIT COMMITTEE</b>	<b>(D) Agenda Item 11</b>
<b>Date of Meeting: 27th July, 2017</b>	
<b>Reporting Officer: Head of Internal Audit</b>	
<b>Title: Internal Audit Annual Report</b>	
<b>Summary and Conclusions:</b>	
The Internal Audit Annual Report has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.	
<b>Recommendations:</b>	
To receive the Internal Audit Annual Report and raise any questions.	

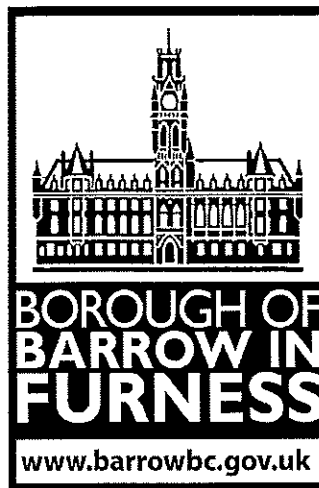
### **Report**

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 2016-2017 is attached at **Appendix 7** and will be presented to Members by the Head of Internal Audit

### **Background Papers**

Nil



*BARROW BOROUGH COUNCIL*

**INTERNAL AUDIT ANNUAL REPORT**

**2016/17**

**July 2017**

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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 2015.

## **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 2016/17 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 Control**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the authority who have responsibility for the development and maintenance of the internal control environment; and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports.

## **Basis of Assurance**

We have conducted our audits in accordance with professional standards and good practice contained within the 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 2015. 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 2016/17 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 above, there is a requirement for the “system of Internal Control” 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 and reviewed within this process, which Internal Audit are a part of; therefore the control environment is reviewed more fully in this way.

## **2016/17 Year Opinion**

This report provides reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2016/17.

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 and Community Services. The profile of assurance is in our experience

comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.

There are however, seven areas where only Restricted assurance can be provided, which relate to:

- Re-Roofing James Freel Close;
- Housing Stock Condition Survey;
- Barrow Cemetery North West Extension;
- Performance Management;
- Procurement;
- Housing Management System;
- Car Park Meter Income; and
- Kennels.

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. Additionally, any 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  
Head of Internal Audit

# **1. SERVICE BACKGROUND**

## **1.1 Our reporting lines**

During 2016/17 Furness Audit provided 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 considered this necessary. (From 1<sup>st</sup> April 2017, the service transferred to an internal department within the Council's structure.)

The Head of Internal Audit 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**

The Service aim is to exceed professional standards, thus providing the internal audit service in accordance with the Council's 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 have adopted 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.

## **1.4 2016/17 Audit Plan**

The Audit Plan for 2016/17 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 2016/17 Annual Plan

A detailed analysis of the current situation regarding the 2016/17 Plan is provided in Appendix A.

The assessment of auditable areas has identified 79 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 (only the completed contract audits are included within the statistics) together with additional probity exercises. In addition, significant 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	
	2016/17	2015/16	2016/17	2015/16
<b>Planned</b>	38%	33%	66%	61%
<b>Achieved</b>	39%	33%	70%	61%

### 2.2 Liaison with External Audit

I have liaised with the External Auditor throughout the year; providing 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, or forwarded to the DWP for Housing Benefit fraud.

<b>Calls received:</b>	<b>Revenues/ Benefit related</b>	<b>Staff Related</b>	<b>Other</b>	<b>Total</b>
<b>2016/17</b>	54	3	3	<b>60</b>
<b>2015/16</b>	52	0	5	<b>57</b>

### 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 2016/17 and 2015/16. 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.	%
2016/17	28	2	7	18	64	8	29	0	0
2015/16	30	3	10	25	83	2	7	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 2015 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 2016/17, and the management responses, analysed in accordance with the above categories.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2016/17	95	7	66	22
Fully Accepted	85	7	58	20
Partly Accepted	10	0	8	2
Not Accepted	0	0	0	0

Comparative figures for 2015/16 are as follows:

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made 2015/16	92	7	55	30
Fully Accepted	88	7	52	29
Partly Accepted	4	0	3	1
Not Accepted	0	0	0	0

### 4.3 Implementation of recommendations

During the year we have reported on the implementation of 92 agreed audit recommendations made in previous reports. The results are as follows:

	Fully Implemented	Not Implemented	Overtaken By Events	TOTAL
2016/17	39	46	7	92
2015/16	42	46	7	95

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 2017/18.

## **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.

(However, third party access has in some instances been limited.)

## APPENDIX A: PROGRESS AGAINST AUDIT PLAN 2016/17

Report Number	Audit Assignment	System Significance Band	Status	Assurance
16-01	Income Collection	1	Final	Substantial
16-02	Housing Benefits	1	Final	Substantial
16-03	Council Tax & Council Tax Support	1	Final	Substantial
16-04	Business Rates (NNDR)	1	Final	Substantial
16-05	Risk Management	1	Final	Substantial
16-06	Cash Floats/Receipting Controls	1	Final	Substantial
16-09	Performance Management	2	Final	Restricted
16-10	Budgetary Control	2	Final	Unqualified
16-11	Treasury Management	2	Final	Unqualified
16-12	Car Park Meter Income	2	Final	Restricted
16-13	Payroll (incl Expenses)	2	Final	Substantial
16-14	Accounts Receivable	2	Final	Substantial
16-15	Corporate Control/Governance	2	Complete	N/a
16-16	Main Accounting System & Periodic Controls	2	Complete	N/a
16-17	Procurement (inc. Ordering)	2	Final	Restricted
16-18	Accounts Payable	2	Final	Substantial
16-19	Housing Rents	2	Final	Substantial
16-20	Standing Orders/Financial Regs/Council Plans & Policies	2	Comments provided	N/a
16-21	Housing Maintenance (Day to day repairs)	2	Time used for probity	
	<b>RISK ASSESSED SYSTEMS</b>			
16-08	Fraud and Corruption Survey		Complete	N/a
16-25	Lawson Street – Financial Check		Complete	N/a
16-26	Probity		Complete	N/a
16-27	Probity		Complete	N/a
16-28	Dog Kennels		Final	Restricted
16-29	Phoenix Business Centre		Memo issued	N/a
16-30	Licencing Fees Review		Complete	N/a
16-31	Housing Rents - Transfer to new system		Ongoing	Tbc

Report Number	Audit Assignment	System Significance Band	Status	Assurance
16-32	Grant Funding – The Well		Complete	N/a
	<b>DESIGNATED ANNUAL AUDIT ACTIVITY</b>			
16-22	NFI Responsibilities		Complete	N/a
16-23	Mayor's Account		Complete	N/a
16-24	Benefit Certification		Complete	N/a
	<b>Community Organisations</b>			
-	Hawcoat		Complete	N/a
-	Abbotsvale		Complete	N/a
-	Dalton Community Association		Complete	N/a
-	Barrow Playing Fields Users Association		Further delay due to lack of information	N/a
	<b>IT ENVIRONMENT AUDITS</b>			
IT 61	Service Desk	1	Final	Substantial
IT 62	Payment Card Security (PCI-DSS Review)	1	Final	Substantial
IT 63	Implementation Review	1	Complete	N/a
(16-07)	<b>IMPLEMENTATION REVIEW:</b>			
09-23	Asset Management		Complete	N/a
14-30	Kennels		Complete	N/a



## APPENDIX B: CONTRACT AUDIT 2016/17

Report Number	Audit Assignment	STATUS	Assurance/ Comment
CR84	Barrow Cemetery NW Extension	Final	Restricted
CR86	Town Hall Roof	Final	Substantial
CR90	Re-Roofing Units 9 & 10 James Freel Close	Final	Restricted
CR99	Housing stock condition survey	Final	Restricted
CR110	Housing Maintenance Responsive Repairs	Final	Substantial
CR112	Housing Maintenance Gas Service Contract	Final	Substantial
CR114	CHP Housing Maintenance - Void Repairs 2015/19	Final	Substantial
CR116	CHP Disabled Adaptations 2015-19	Final	Substantial
CR100	Crematorium/Cemetery Office	Initial Draft	No Assurance; however, further information provided; queries to resolve.
CR111	Housing Management System	Final	Restricted
CR80	Roa Island Jetty	Stage 4 Findings issued 15 <sup>th</sup> Sept 16	Response to findings received
CR91	Rawlinson Street Corridor	Stage 4 Findings issued 22 <sup>nd</sup> Dec 16	
CR94	2014 CHP Devonshire Road Improvements	Stage 2 and 3 Findings issued 4 <sup>th</sup> May 17	
CR95	Town Hall Ground Floor Improvements	Stage 4 Findings to issue	
CR97	Maritime Streets Landscaping Design	Stage 3 completed 17 <sup>th</sup> Sept 15	Awaiting response to findings
CR98	Maritime Streets Landscaping Works		Awaiting further information
CR107	High level electrical repairs & festive lighting	Stage 2 findings issued 4 <sup>th</sup> May 17	
CR108	Electrical reactive repairs & maintenance	Stage 2 findings issued 4 <sup>th</sup> May 17	
CR113	Recycling Containers	Stage 1 Findings issued 30 <sup>th</sup> May 17	
CR115	Refuse, Recycling & Street Cleansing 2017-24	Supporting information outstanding	

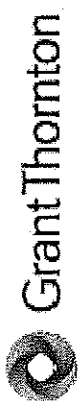
<b>AUDIT COMMITTEE</b>		<b>Part One</b>  <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>12</b>
<b>Date of Meeting: 27th July, 2017</b>		
<b>Reporting Officer: Director of Resources</b>		
<b>Title: External Audit Progress Report and Update</b>		
<b>Summary and Conclusions:</b>		
The External Auditors have produced a progress and update report for the Audit Committee. The External Auditors will present the report to Members.		
<b>Recommendations:</b>		
To receive the External Auditors report and raise any questions.		

### Report

The External Auditors have produced a progress and update report for the Audit Committee. The report is attached at **Appendix 8** and will be presented to Members by the External Auditors.

### Background Papers

Nil



Audit Committee  
Barrow Borough Council  
Progress Report and Update  
Year ended 31 March 2017

July 2017

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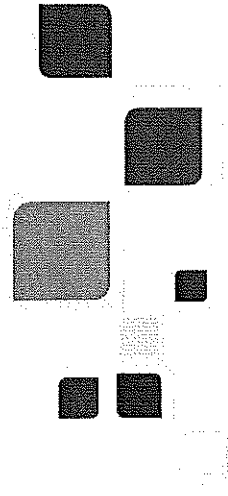
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to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

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Grant Thornton	11

# Progress at 17 July 2017



2016/17 work	Planned Date	Completed?	Comments
--------------	--------------	------------	----------

## Fee Letter

We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016

April 2016

Yes

The fee letter was issued in April 2016.

## 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 2016-17 financial statements.

March 2017

Yes

The Audit Plan was presented at the Audit Committee's meeting in March 2017.

## Interim accounts audit

Our interim fieldwork visit plan included:

- updated review of the Council's control environment
- updated understanding of financial systems
- review of Internal Audit reports on core financial systems
- early work on emerging accounting issues
- early substantive testing
- Value for Money conclusion risk assessment.

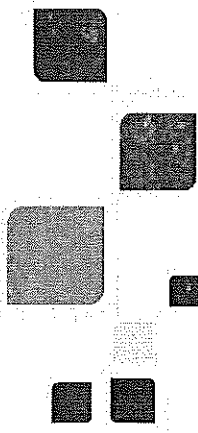
December 2016 –  
March 2017

Yes

We commenced our interim audit in December 2016. As part of an initial visit we updated our documentation relating to the Council's key accounting systems. We also completed walkthrough testing to confirm the expected controls were in place in relation to those systems which are associated with the risks set out in our audit plan.

During the second phase of our interim work we completed testing of pay and non-pay expenditure and capital additions recognised in the first nine months of the 2016-17 financial year.

# Progress at 17 July 2017



2016/17 Work	Planned Date	Completed	Comments
--------------	--------------	-----------	----------

## Final accounts audit

Including:

- audit of the 2016/17 financial statements
- proposed opinion on the Council's accounts
- proposed Value for Money conclusion
- review of the Council's disclosures in its financial statements against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

July and August  
2017

In progress

Fieldwork commenced on 3 July 2017 and is expected to be completed by the end of August 2017. The outcome of our work and our audit opinion will be presented to the Audit Committee on 21/09/2017.

## Value for Money (VfM) conclusion

The scope of our work is unchanged to 2015/16 and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that: "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".

The guidance confirmed the overall criterion as: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".

The three sub criteria for assessment to be able to give a conclusion overall are:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

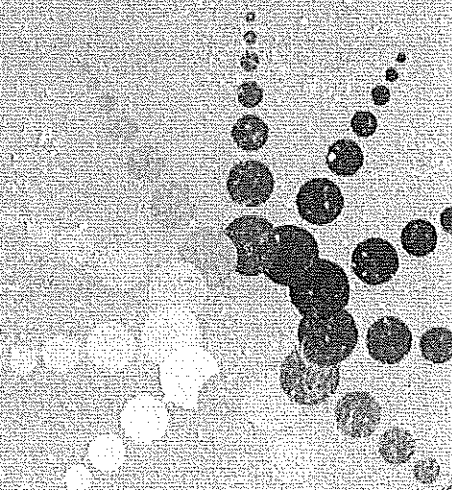
March – August  
2017

In progress

We reported the findings of our initial risk assessment as part of our audit plan which we presented to the Audit Committee in March 2017. We have commenced our detailed work on the risks identified and will report our findings as part of our Audit Findings Report which will be presented to the Audit Committee in September 2017.



# Technical Matters







#### Accounting and audit issues

##### LAAP Bulletin 105: Closure of the 2016/17 accounts and related matters

In March, CIPFA's Local Authority Accounting Panel issued LAAP Bulletin 105. The bulletin provides further guidance and clarification to complement CIPFA's 2016/17 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- Highways Network Asset
- update to the 2016/17 code
- Telling the Story
- accounting standards that have been issued but have not yet been adopted
- summary of other changes to the 2016/17 Code
- statutory guidance on the flexible use of capital receipts
- the Better Care Fund

The LAAP bulletin confirms that section P - Highways Network Asset of Module 4 no longer applies and any reference in the 2016/17 Code Guidance Notes to the Highways Network Asset does not apply. Therefore, highways authorities accounting policies for the infrastructure class of assets are unchanged from the approach adopted in previous years, i.e. the infrastructure class of assets will be defined as it was in the 2015/16 Code and be measured at depreciated historical cost.

Telling the Story – the 2016/17 Code changed segmental reporting arrangements for the Comprehensive Income and Expenditure Statement (CIES) and introduced the Expenditure and Funding Analysis (EFA). Both the CIES and EFA include a segmental analysis which requires local authorities to report on the basis of how they are structured.

##### Challenge Question:

- Have the Finance team have reviewed the guidance and taken into consideration any relevant aspects when preparing your 2016/17 financial statements.



## Accounting and audit issues

### Code of Practice on Local Authority Accounting in the United Kingdom 2017/18

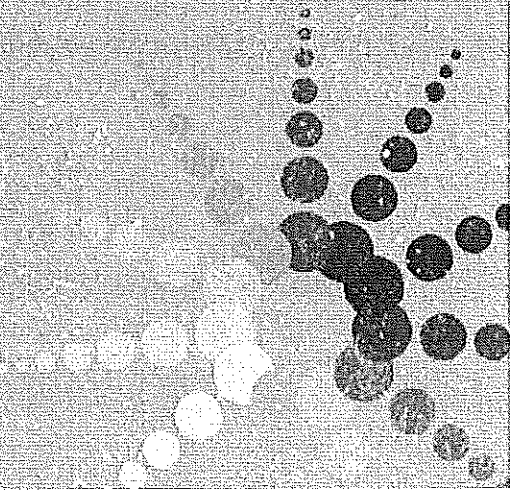
CIPFA/LASAAC has issued the Local Authority Accounting Code for 2017/18. The main changes to the Code include:

- amendments to section 2.2 (Business Improvement District Schemes (England, Wales and Scotland), Business Rate Supplements (England), and Community Infrastructure Levy (England and Wales)) for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report
- updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 (Housing Revenue Account) to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor) and 7.4 (Financial Instruments – Disclosure and Presentation Requirements)
- amendments to section 6.5 (Accounting and Reporting by Pension Funds) to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.

### Challenge questions:

- Is your Finance team aware of the changes to the 2017/18 Code and have they assessed the potential impact?

# Sector issues and developments



# National Audit Office

NAO Publications

## Protecting information across government

“Protecting information while re-designing public services and introducing the technology necessary to support them is an increasingly complex challenge. To achieve this, the Cabinet Office, departments and the wider public sector need a new approach, in which the centre of government provides clear principles and guidance and departments increase their capacity to make informed decisions about the risks involved.”

Amyas Morse, head of the National Audit Office, 14 September 2016

<https://www.nao.org.uk/report/protecting-information-across-government/>

## Planning for 100% local retention of business rates

“The Department faces a significant challenge in implementing 100% local retention of business rates by 2019-20. It has benefited from the experience of delivering the 50% local retention scheme and is using this experience effectively. The key question is whether there is enough money in the system to let services be delivered on the right scale and for self-sufficiency to be seen to succeed.”

Amyas Morse, head of the National Audit Office, 29 March 2017

<https://www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates/>

## Health and social care integration

“Integrating the health and social care sectors is a significant challenge in normal times, let alone times when both sectors are under such severe pressure. So far, benefits have fallen far short of plans, despite much effort. It will be important to learn from the over-optimism of such plans when implementing the much larger NHS sustainability and transformation plans. The Departments do not yet have the evidence to show that they can deliver their commitment to integrated services by 2020, at the same time as meeting existing pressures on the health and social care systems.”

Amyas Morse, head of the National Audit Office, 8 February 2017

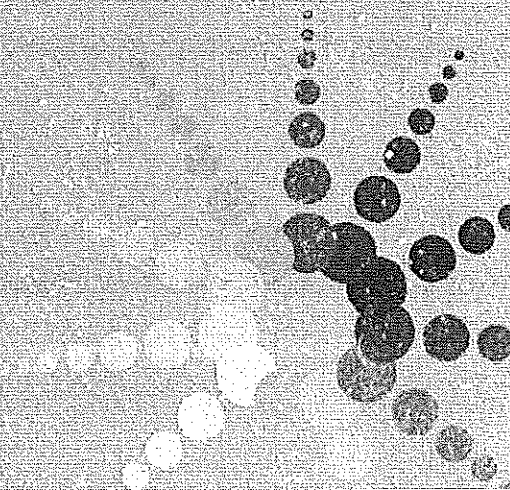
<https://www.nao.org.uk/report/health-and-social-care-integration>

### Challenge question:

- Have you read the NAO reports?



Grant Thornton



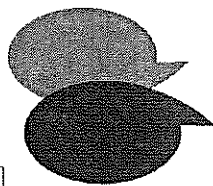
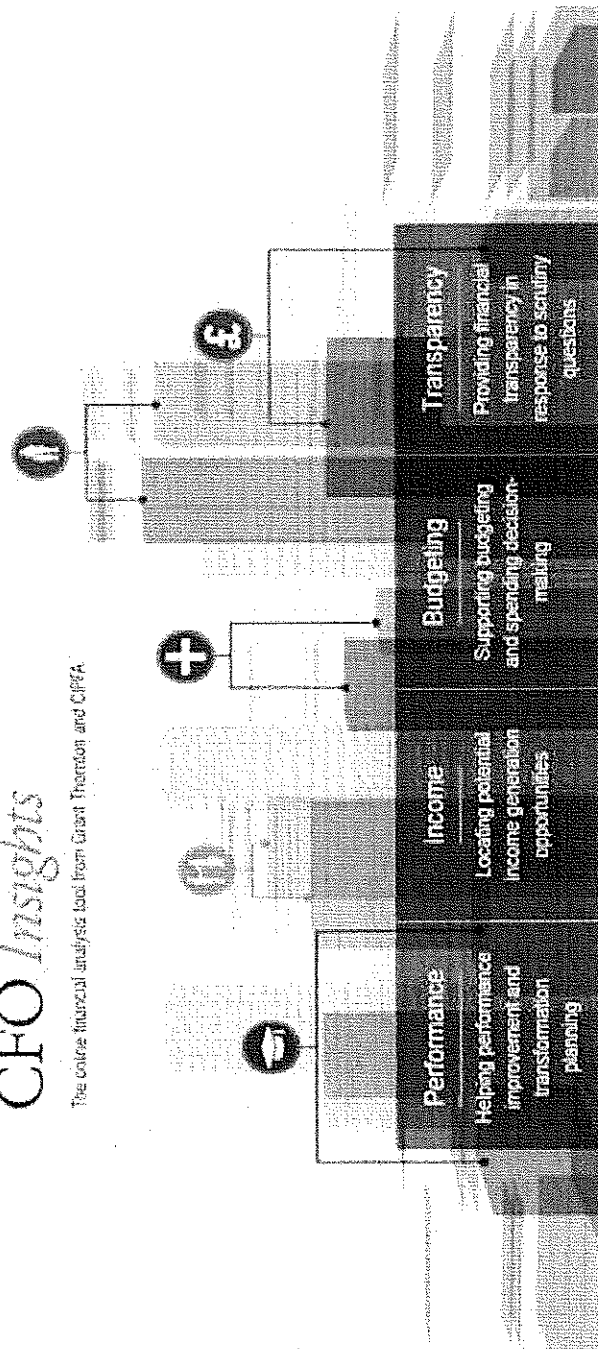
# CFO Insights – driving performance improvement

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

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

## CFO Insights

The online financial analysis tool from Grant Thornton and CIPFA



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

# Income generation

Local government is under immense financial pressure to do more with less. The 2015/16 spending review is forecast to result in a £13 billion funding hole by 2020. With further funding deficits still looming, income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand reduction and cost efficiency of service delivery. This report shares the insights into how and why local authorities are reviewing and developing their approach to income generation.

Our new research on income generation which includes our CFO Insights tool suggests that:

- ❖ councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- ❖ the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in ways which achieve multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.

- ❖ stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).

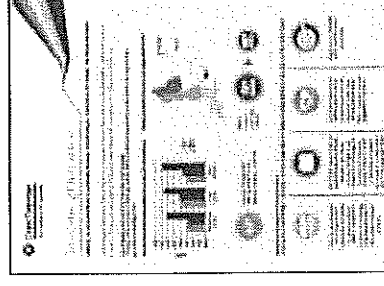
Our report helps local authorities maximise their ability to generate income by providing:

- Case study examples
- Local authority spend analysis
- Examples of innovative financial mechanisms
- Critical success factors to consider.

## Grant Thornton publications

### Challenge question:

- Have you read our income generation report?
- Is your council actively exploring options to generate additional income?



Our Income generation report was published on Thursday 2 March, hard copies are available from your team and via link:

<http://www.granthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>



# A Manifesto for a Vibrant Economy

Grant Thornton publications

## Developing infrastructure to enable local growth

Cities and shire areas need the powers and frameworks to collaborate on strategic issues and be able to raise finance to invest in infrastructure priorities. Devolution needs to continue in England across all places, with governance models not being a “one-size-fits all?”. Priorities include broadband, airport capacity in the North and east-west transport links.

Addressing the housing shortage, particularly in London and the Southeast, is a vital part of this. There simply is not enough available land on which to build, and green belt legislation, though designed to allow people living in cities space to breathe, has become restrictive and is in need of modernisation. Without further provision to free up more land to build on, the young people that we need to protect the future of our economy will not be able to afford housing, and council spending on housing the homeless will continue to rise.

Business rates are also ripe for review – a property-based tax is no longer an accurate basis for taxing the activity and value of local business, in particular as this source of funding becomes increasingly important to the provision of local authority services with the phasing out of the Government’s block grant.

Demographic and funding pressures mean that the NHS no longer remains sustainable, and the integration of health and social care – recognised as critical by all key decision makers – remains more aspiration than reality.

There is an opportunity for communities to take a more holistic approach to health, for example creating healthier spaces and workplaces and tackling air quality, and to use technology to provide more accessible, cheaper diagnosis and treatment for many routine issues

**Finding a better way to measure the vibrancy of places**  
When applied to a place we can see that traditional indicators of prosperity such as GVA, do not tell the full story. To address this we have developed a Vibrant Economy Index to measure the current and future vibrancy of places. The Index uses the geography of local authority areas and identifies six broad objectives for society: prosperity, dynamism and opportunity, inclusion and equality, health, wellbeing and happiness, resilience and sustainability, and community trust and belonging.

The city of Manchester, for example, is associated with dynamic economic success. While our Index confirms this, it also identifies that the Greater Manchester area overall has exceptionally poor health outcomes, generations of low education attainment and deep-rooted joblessness. These factors threaten future prosperity, as success depends on people’s productive participation in the wider local economy, rather than in concentrated pockets.

Every place has its own challenges and opportunities. Understanding what these are, and the dynamic between them, will help unlock everybody’s ability to thrive. Over the coming months we will continue to develop the Vibrant Economy Index through discussions with businesses, citizens and government at a national and local level.

**Guy Clifton – Head of Local Government Advisory**

## Challenge question:

- Have you visited our Vibrant Economy website?

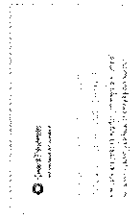


<http://www.granthornton.co.uk/globalassets/1.-member-firms/united-kingdom/pdf/documents/creating-manifesto-vibrant-economy-draft-recommendations.pdf>



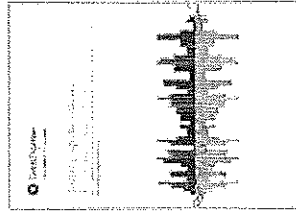
# Publications

Providing key insight and examples of best practice to local government, police, fire and rescue services



## Innovation in public financial management

Our research on international public financial management shows it is evolving, from having a narrow focus on budgeting, towards a wider mandate as a key driver of policy and strategy across all levels of government, public services, state enterprises and public-private partnerships.



## Turning up the volume

Our Business Location Index identifies the most desirable and affordable areas for investment in England, by looking at a combination of economic performance, people & skills, environment & infrastructure and cost.

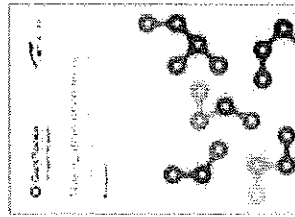
Our aim is to give local authorities and LEPs the tool to better understand and market their strength and assets to increase inward investment and inform their devolution discussions.



## Reforging local government

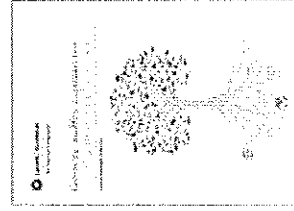
The autumn statement identified how councils will need better financial management and further efficiency to achieve the projected 29% savings. This presents a serious challenge to manage councils that have already become lean.

Our report looks at the financial challenge facing councils, the new governance agenda that will challenge traditional arrangements and expectations, and the way forward for the public sector through devolution, innovation, collaboration and cultural change.



## Making devolution work

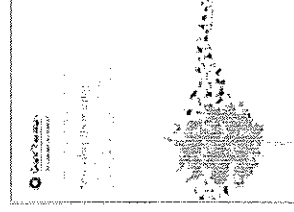
This report gets under the bonnet of the devolutionary conversations taking place between Whitehall and local government across England. It offers a practical guide to local leaders by outlining the benefits of devolution, the areas of priority to central government and the key questions that must be addressed in order to produce a successful devolution bid.



## Growing healthy communities

It has long been recognised that the health of a population is strongly linked to the circumstances in which people live.

Our health and wellbeing index looks at the health determinants and outcomes of an area, highlights the scale and nature of inequality across the country and reiterates the need for a local, place-based approach to tackling health outcomes. It also identifies the wider economic determinants on an area's circumstances, emphasising the need for local collaboration between public sector bodies.

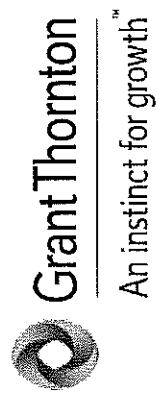


## Spreading their wings

Our first report in a series looking at alternative delivery models in local government looks at local authority trading companies (LATCs).

The need to improve performance against the continuing financial pressure in the public sector has led to an increase in innovative solutions to the challenges, such as alternative delivery models.

Our report provides a guide on building a successful LATC, identifying the areas that must be considered at each stage of the process, as well as offering a number of examples of best practice.



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<b>AUDIT COMMITTEE</b>		<b>Part One</b>
<b>Date of Meeting: 27th July, 2017</b>		<b>(D) Agenda Item 13</b>
<b>Reporting Officer: Director of Resources</b>		
<b>Title: External Audit Fee Letter</b>		
<b>Summary and Conclusions:</b>		
The fee letter for 2017-2018 has been received from the External Auditor.		
<b>Recommendations:</b>		
To note the External Audit fee for 2017-2018.		

### Report

The External Audit fee letter for 2017-2018 is attached at **Appendix 9**.

For Members information the Main Audit fee of £51,119 is the same as the previous year. The Grant Certification fee has not yet been confirmed and is currently an indicative £16,168 on the PSAA website, similar to the total fee for 2016-2017.

Members are recommended to note the External Audit fee for 2017-2018.

### Background Papers

Nil



Sue Roberts,  
 Director of Resources,  
 Barrow Borough Council,  
 Town Hall,  
 Duke Street,  
 Barrow-In-Furness,  
 Cumbria,  
 LA14 2LD

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26 April 2017

Dear Sue,

### **Planned audit fee for 2017/18**

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the PSAA website.

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

### **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no changes to the overall work programme for local government audited bodies for 2017/18, following the recent CIPFA/LASAAC announcement that their planned introduction of the Highways Network Asset Code into the financial reporting requirements for local authorities in 2017/18 will no longer proceed. PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £51,119.

The audit planning process for 2017/18, 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**

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2017/18 will be undertaken

under this Code, on the basis of the 2017/18 work-programme and scales of fees set out on the PSAA website. Further information on the NAO Code and guidance is available on the NAO website.

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); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

### **Value for Money conclusion**

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

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

### **Certification of grant claims and returns**

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work has yet to be set by PSAA. We will write to you to confirm the fee when this has been confirmed.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

### **Billing schedule**

Fees will be billed as follows:

Main Audit fee	£
September 2017	12,779.75
December 2017	12,779.75
March 2018	12,779.75
June 2018	12,779.75
<b>Total</b>	<b>51,119</b>

### **Outline audit timetable**

We will undertake our audit planning and interim audit procedures in November 2017 to February 2018. 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 by 31 July 2018 and work on the whole of government accounts return in August 2018.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2017 – February 2018	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	June – July 2018	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	February – March 2018	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	July 2018	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual audit letter	August 2018	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	August – October 2018	Grant certification report	A report summarising the findings of our housing benefit certification work

#### Our team

The key members of the audit team for 2017/18 are:

	Name	Phone Number	E-mail
Engagement Lead	Gareth Kelly	0141 233 0891	gareth.kelly@uk.gt.com
Engagement Manager	Neil Krajewski	0161 234 6371	neil.p.krajewski@uk.gt.com
In Charge Auditor	Anna-Maria Delcheva	0161 953 6341	anna-maria.i.delcheva@uk.gt.com

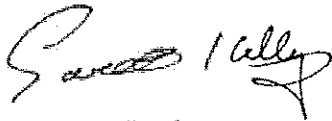
#### Additional work

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, via [sarah.howard@uk.gt.com](mailto:sarah.howard@uk.gt.com).

Yours sincerely

A handwritten signature in black ink, appearing to read 'Sarah Howard', with a stylized flourish at the end.

Engagement Lead

For Grant Thornton UK LLP

<b>AUDIT COMMITTEE</b>		<b>Part One</b>
<b>Date of Meeting: 27th July, 2017</b>		<b>(D) Agenda Item 14</b>
<b>Reporting Officer: Director of Resources</b>		
<b>Title: Annual Review of Internal Audit</b>		
<b>Summary and Conclusions:</b>		
<p>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.</p>		
<p>For the financial year 2016-2017 a review of the effectiveness of Internal Audit has been undertaken and this report informs Committee of the findings.</p>		
<p>As the Section 151 Officer I am satisfied that the Internal Audit service is effective.</p>		
<b>Recommendations:</b>		
<p>To endorse the review.</p>		

### **Report**

Regulation 6 of the Accounts and Audit Regulations 2015 requires relevant authorities to conduct a review of the effectiveness of its system of internal control at least once a year. Regulation 6 also requires the findings of the review of the system of internal control to be considered by this committee.

The annual review of the system of internal control is contained within the Annual Governance Statement, presented to this committee for final approval in September 2017.

As Section 151 Officer I am charged with ensuring an effective internal audit function is resourced and maintained. Having conducted my review, 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 2016-2017 – these contain the performance of the service for the last full financial year; 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 now adopted by the Head of Internal Audit, but during 2016-2017 one of the criteria did not apply as the Head of Internal Audit was not an employee of the Council and it was therefore not applicable.

From the 1st April, 2017, the Internal Audit service (Internal Audit Department) became an internal service and no longer externally provided. The Head of Internal Audit transferred to Council employment along with members of the existing team. This change in service delivery does not impact on the independent role of the Head of Internal Audit or the department. As Section 151 Officer I have given Members my assurance that I will not permit any dilution of Internal Audit's independence and Management Board is very clear on that point.

### **Internal Audit reports**

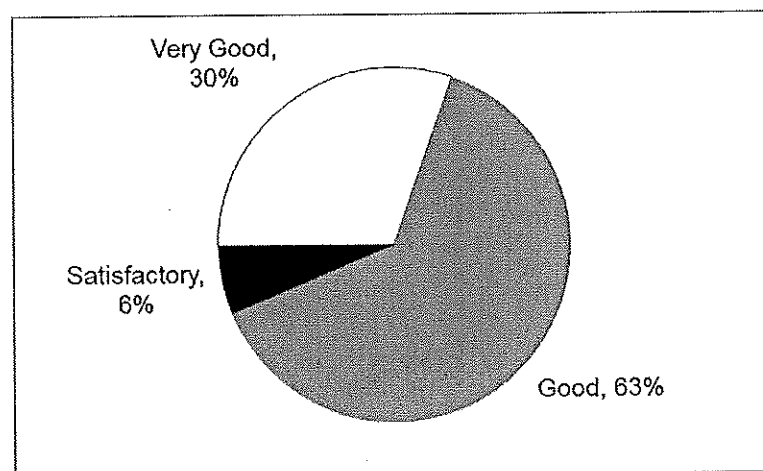
The Internal Audit Annual Report for 2016-2017 is presented separately on this agenda.

## 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 2016-2017, the Internal Audit service achieved an overall 85% satisfaction rate:



## Background Papers

Nil

<b>AUDIT COMMITTEE</b>		<b>Part One</b>
<b>Date of Meeting: 27th July, 2017</b>		<b>(D) Agenda Item 15</b>
<b>Reporting Officer: Director of Resources</b>		
<b>Title: Annual Review of Audit Committee Effectiveness</b>		
<b>Summary and Conclusions:</b>		
The annual review of Audit Committee effectiveness has been undertaken by the Chairman with the Director of Resources. The review is presented here for endorsement by the Committee.		
<b>Recommendations:</b>		
To endorse the review.		

### **Report**

The annual review of Audit Committee effectiveness has been undertaken by the Chairman with the Director of Resources.

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 10**.

There are no issues to address following the review and Members are recommended to endorse the checklist.

### **Background Papers**

Nil

# **Audit Committee** **Self-assessment checklist**

APPENDIX No. 10

Priority	Issue	Yes	No	N/A	Comments/Action
<b>ESTABLISHMENT, OPERATION AND DUTIES</b>					
<b>Role and remit</b>					
1	Does the Audit Committee have written terms of reference	Y			Constitution of the Council.
1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Y			Constitution of the Council.
1	Are the terms of reference approved by the Council and reviewed periodically.	Y			
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y			
1	Can the audit committee access other committees and full council as necessary?	Y			
2	Does the audit committee periodically assess its own effectiveness?	Y			Annual self-assessment.
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?			N/A	Audit Committee reports to every Full Council.
<b>Membership, induction and training</b>					
1	Has the membership of the audit committee been formally agreed and a quorum set?	Y			3 Members.
1	Is the chair independent of the executive function?	Y			Not on Executive Committee or any other committee.
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management.	Y			Experienced audit committee chair.  Training provided in 2015.
1	Are new audit committee members provided with an appropriate induction?	Y			General Member induction for everyone.  Training provided for Audit Committee.

# **Audit Committee**

## **Self-assessment checklist**

Priority	Issue	Yes	No	N/A	Comments/Action
1	Have all Members' skills and experiences been assessed and training given for identified gaps?	Y			Personal Development Plans.
1	Has each Member declared his or her business interest?	Y			Register of interests.  Declarations at meeting are a standard agenda item.
2	Are Members sufficiently independent of the other key committees of the Council?	Y			No Members on Audit Committee are on the Executive Committee or the Overview and Scrutiny Committee.
<b>Meetings</b>					
1	Does the audit committee meet regularly?	Y			Quarterly.
1	Do the terms of reference set out the frequency of the meetings?	Y			The original establishment of the Audit Committee set the quarterly meetings – Executive Committee 28 <sup>th</sup> March 2007.
1	Does the audit committee calendar meet the authority's business needs, governance needs, and the financial calendar?	Y			The Statement of Accounts and the Annual Governance Statement go to the September meeting.  Audit Committee annual work plan.
1	Are Members attending meetings on a regular basis and if not, is appropriate action taken?	Y			
1	Are meetings free and open without political influences being displayed?	Y			
1	Does the authority's S151 Officer or deputy attend all meetings?	Y			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y			

# **Audit Committee**

## **Self-assessment checklist**

Priority	Issue	Yes	No	N/A	Comments/Action
<b>INTERNAL CONTROL</b>					
1	Does the audit committee consider the Annual Governance Statement (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			Draft presented at the June meeting to allow time for consideration before approval at the September meeting.
1	Does the audit committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	Y			
1	Does the audit Committee consider how meaningful the AGS is?	Y			
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y			Annual Internal Audit report and Annual Governance Statement.
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	Y			Relationship between Audit Committee and Executive Committee covered in training and risk management policy.
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	Y			The Council's anti-fraud and corruption policies address the requirements of the CIPFA guidance.
1	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	Y			Fraud hotline. Reminders to staff about the whistleblowing policy. Hotline statistics reported quarterly.
2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Y			

## **Audit Committee**

### **Self-assessment checklist**

Priority	Issue	Yes	No	N/A	Comments/Action
2	Does the audit committee review the authority's strategic risk register at least annually?	Y			
2	Does the audit committee monitor how the authority assesses its risk?	Y			
2	Does the audit committee's terms of reference include oversight of the risk management process?	Y			
<b>FINANCIAL REPORTING AND REGULATORY MATTERS</b>					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Y			
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> <li>• The suitability of accounting policies and treatments</li> <li>• Major judgements made</li> <li>• Large write-offs</li> <li>• Changes in accounting treatment</li> <li>• The reasonableness of accounting estimates</li> </ul> The narrative aspects of reporting?	Y			
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y			September meeting.
1	Does the audit committee review management's letter of representation?	Y			September meeting.
2	Does the audit committee annually review the accounting policies of the authority?	Y			

## **Audit Committee**

### **Self-assessment checklist**

Priority	Issue	Yes	No	N/A	Comments/Action
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y			
2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y			Reports to the committee from officers and from the external auditors. Member Personal Development Plans.
<b>INTERNAL AUDIT</b>					
1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			
1	Does internal audit have an appropriate reporting line to the audit committee?	Y			
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y			
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y			
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	Y			If the need arises/by request.
1	Is there appropriate cooperation between the internal and external auditors?	Y			



## **Audit Committee**

### **Self-assessment checklist**

Priority	Issue	Yes	No	N/A	Comments/Action
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	Y			Through the specification of the contract.
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal Audit and Local Government in the United Kingdom?	Y			A review of the new Public Sector Internal Audit Standards has been completed.
2	Are internal audit performance measures monitored by the audit committee?	Y			
2	Has the audit committee considered the information it wishes to receive from internal audit?	Y			
<b>EXTERNAL AUDIT</b>					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	Y			
1	Does the audit committee hold periodic private discussions with the external auditor?	Y			As required.
1	Does the audit committee review the external auditor's annual report to those charged with governance?	Y			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y			
1	Are reports on the work of external audit and other inspection agencies presented to the committee?	Y			
1	Does the audit committee assess the performance of external audit?	Y			

# **Audit Committee**

## **Self-assessment checklist**

Priority	Issue	Yes	No	N/A	Comments/Action
1	Does the audit committee consider and approve the external audit fee?	Y			
<b>ADMINISTRATION</b>					
<b>Agenda management</b>					
1	Does the audit committee have a designated secretary from Democratic Services?	Y			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Y			
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			Annual work plan.
2	Are inputs for Any Other Business formally requested in advance from committee member, relevant officers, internal and external audit?	Y			
<b>Papers</b>					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y			
2	Does the audit committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented?	Y			Format set for all Council and Committee meetings.
<b>Actions arising</b>					
1	Are minutes prepared and circulated promptly to the appropriate people?	Y			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	Y			Minutes and resolutions of the meeting.
1	Do action points indicate who is to perform what and by when?	Y			Minutes and resolutions of the meeting.

<b>AUDIT COMMITTEE</b>		<b>Part One</b>
<b>Date of Meeting: 27th July, 2017</b>		<b>(D) Agenda Item 16</b>
<b>Reporting Officer: Corporate Support Manager</b>		
<b>Title: Annual Governance Statement</b>		
<b>Summary and Conclusions:</b>		
Provide Members with the updated Annual Governance Statement for 2016/17.		
<b>Recommendations:</b>		
<ol style="list-style-type: none"><li>1. To consider the report and agree that the Chair of this Committee should sign it on behalf of the Council; and</li><li>2. That the Annual Governance Statement be published on the Council's web site.</li></ol>		

### **Report**

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

The following members of staff were involved in preparing the Annual Governance Statement for 2015/16

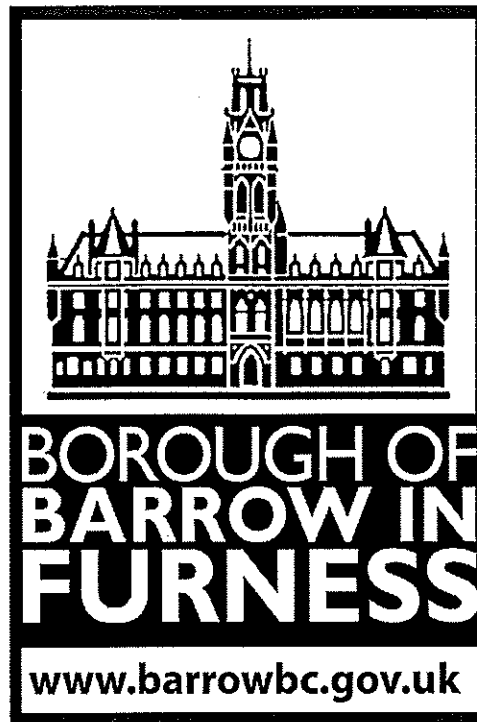
Executive Director. Head of Paid Services  
 Director of Resources: S151 Officer.  
 Assistant Director of Community Services.  
 Assistant Direct of Regeneration and the Built Environment.  
 Assistant Director of Housing.  
 Members of the Governance Group.  
 Internal Audit, Manager.  
 Democratic Services Manager (Monitoring Officer)  
 Corporate Support Manager.

The Annual Governance Statement was presented to this committee in June and following discussions with the auditor from Grant Thornton, the Internal Audit Manager and the Assurance Group only minor amendments have been made.

The Annual Governance Statement and links to the evidence supporting the statement are attached as **Appendices 11 and 12**.

### **Background Papers**

Nil



Version Control: Version 1	
Document Name:	Annual Governance Statement 2016/17
Version:	
Author:	Corporate Support Manager
Approved by:	Audit Committee
Date Approved:	
Review Date:	April 2018

## **Annual Governance Statement – 2016-2017**

### **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.

### **Governance**

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

### **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 the governance framework and is designed to manage risk to a reasonable and proportionate 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 on-going 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 International Framework, Good Governance in the Public Sector which the Council aims to work towards.

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve the Council's objectives while acting in the public interest at all times.

Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

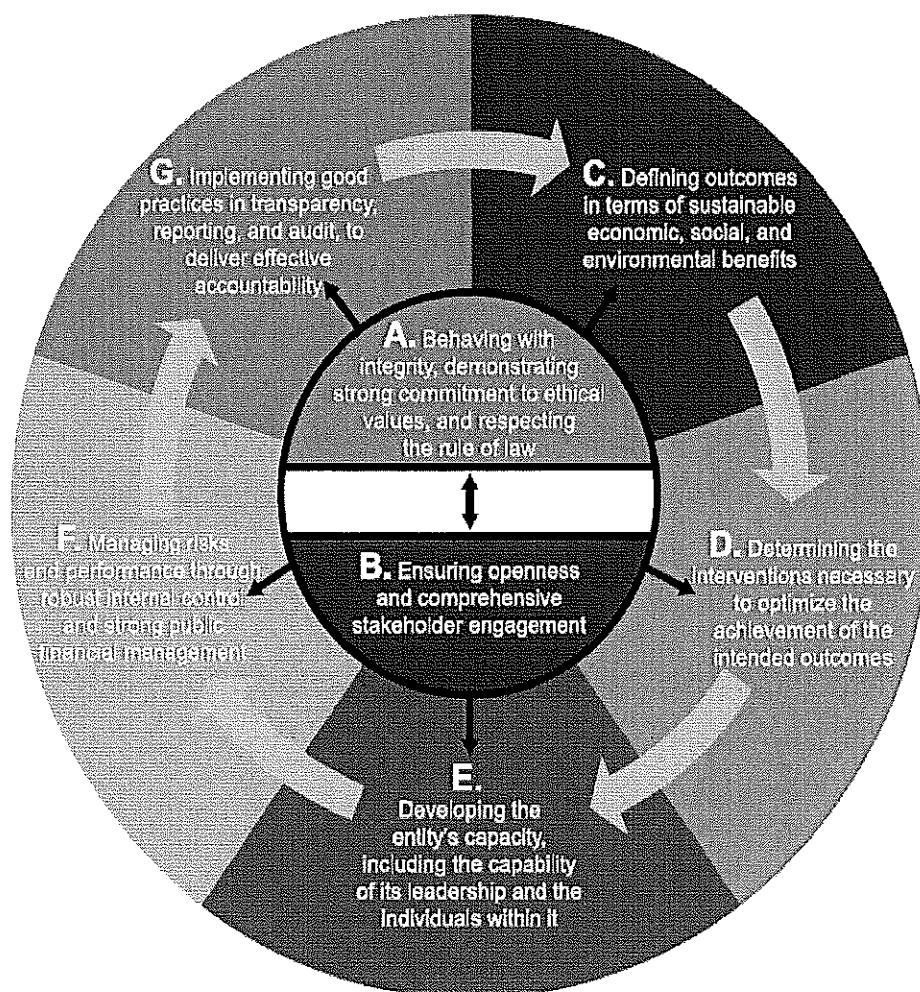
Our Local Code of Corporate Governance is the document that sets out the framework within which the Council conducts its business and affairs; it is based on seven principles of good governance.

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

- A. Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.
- B. Ensuring openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of intended outcomes.
- E. Developing the entity's capacity 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, reporting and audit 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:

**Achieving the Intended Outcomes  
While Acting in the Public Interest at all Times**



## **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 senior 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 appointed auditors and other review agencies and inspectorates.

A management group consisting of the following Officers were involved in reviewing this draft Annual Governance Statement

- 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
- Head of Internal Audit
- Corporate Support Manager

## **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 Group.

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

Analysis of this information indicated that there were no significant assurance issues and the governance group determined that the questionnaire be reviewed and that the questions could be by interview.

Based on the self assessment the Council considers its governance arrangements to be improving and of a higher standard than previous years.



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 supporting principals of good governance.

We already produce an annual Local Code of Corporate Governance which defines what we do to deliver effective governance arrangements.

Evidence to support statements made in the Annual Governance Statement can be found in the following areas on the Council's website:

Council constitution

Corporate Documents

Committee reports and minutes

**A: Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.**

The Council is responsible for using national resources collected through taxation to provide services for our citizens. We are accountable not only for how much we spend but also for the way we use the resources with which we have been entrusted. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, we have an overarching responsibility 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.

It is essential that, as a whole, we can demonstrate the appropriateness of all our actions across all activities and have mechanisms in place that encourage and enforce adherence to ethical values and to respect the rule of law.

**Behaving with integrity**

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 officers.

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.

### **Behaving with integrity**

Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Council.

- We have put in place arrangements to ensure that Members and staff of the Council behave with integrity and 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.
- We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.
- We ensure that Members take the lead in establishing specific values for the Council and its staff and they are communicated and understood.
- The Council maintains 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.

We ensure that Members and officers lead by example and use values as a framework for decision making and other actions.

- 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. Elected members will identify and agree the priorities for the Council to ensure they reflect the needs and aspirations of residents and businesses.

- We produce a Council plan to communicate our priorities and values to staff, Members and the public.

Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they operate effectively.

- We ensure that systems and processes for financial administration and control together with protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.
- The Council has appointed statutory officers:

The Executive Director is the Head of Paid Services.

The Director of Resources is the S151 Officer.

The Democratic Services Manager is the Monitoring Officer.

### **Demonstrating strong commitment to ethical values**

Seeking to establish, monitor and maintain the Council's ethical performance.

- 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.
- We have established a governance group with the remit of collecting assurance information across all departments.
- We 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.

Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.

- We have adopted formal codes of conduct defining standards of personal behaviour for Members and officers.
- We have put in place effective systems to protect the rights of staff. We ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.

### **Respecting the rule of law**

Ensuring Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.

- Members and 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.

Creating the conditions to ensure that the statutory officers and other key post holders are able to fulfil their responsibilities.

- We ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate.

Striving to use the authority's full powers for the benefit of its citizens, its communities and other stakeholders.

- 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.

Dealing with breaches of legal and regulatory provisions effectively.

- We ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place. The Council has effective disciplinary policies in place.

Ensuring corruption and misuse of power are dealt with effectively

- Members and 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.
- The Council has effective disciplinary policies in place. Non-compliance with the Members Code of Conduct can be reported to the Democratic Services Manager via the Council's whistleblowing arrangements and discipline is dealt with by the leaders of the political groups.

## **B: Ensuring openness and comprehensive stakeholder engagement**

### **Openness**

The Council operates for the public good, and ensure openness in our activities. We strive to use clear, trusted channels of communication and consultation to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders. We

aim to disclose information where appropriate and comply with the transparency agenda.

Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.

- We 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.

Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes.

- We maintain a culture of accountability so that Members and officers understand to whom they are accountable and for what.
- We 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.

Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, that they are clear about the impact and consequences of those decisions.

- We provide clear recommendations to the decision making committees supported balanced reasoning and evidence. We will assess the financial, health and safety, equalities and other risks relating to those decisions and provide Members with the outputs from those assessments.
- We deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.

### **Engaging comprehensively with institutional stakeholders**

Effectively engaging with stakeholders to ensure that the purpose, objectives intended outcomes are clear so that outcomes are achieved successfully and sustainably.

- We strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes which meet the needs and expectations of the public. These arrangements will recognise that different sections of the community have different

priorities and establish robust processes for dealing with these competing demands.

Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.

- We contribute to and support initiatives that benefit the residents and businesses in the Borough.
- We ensure that partnerships are based on trust, a shared commitment to change and a culture that promotes and accepts challenge among partners.
- When supporting stakeholder relationships we are clear about the Terms of Reference and clearly define our role. Our arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.

#### **Engaging with individual citizens and service users effectively**

Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.

- We have a customer service strategy which defines how we will engage with customers and other stakeholders and involve them in improving our services.

Encourage collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.

- We have a customer service strategy which defines how we will engage with customers and other stakeholders and involve them in improving our services.
- We carry out an annual survey of staff to understand their views on how we deliver services. This will become a biennial survey from 2017/18.

Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.

- We have published an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements and how they relate to stakeholders input. This information will form part of the Council's plan from 2017/18 and we will not produce an annual report.

Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.

- We assess the feedback from all groups and develop a balanced approach to delivering improvements.

Taking account of the interests of future generations of tax payers and service users to ensure intergenerational equity.

- We strive to engage with citizens and service users of all ages to understand their expectation for future service delivery.

### **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.

#### **Defining outcomes**

Having a clear vision and agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the Council's overall strategy, planning and other decisions.

- We make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
- We have identified 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.

Specifying the intended impact on, or changes for, stakeholders including individual citizens and service users. It could be immediately or over the course of a year or longer.

- We make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning. This will include future service issues and changes to service delivery.

Delivering defined outcomes on a sustainable basis within the resources that will be available.

- We 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.
- We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.

Identifying and managing risks to the achievement of outcomes.

- The Council has an effective risk management system which is regularly reviewed by senior managers and monitored by the Audit Committee.

Managing service user's expectations effectively with regard to determining priorities and making the best use of the resources available.

- We clearly define the level of service that we provide in the Customer Services Strategy

### **Sustainable economic, social and environmental benefits**

Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.

- One of the Key drivers in the Customer Service Strategy is ensuring all customers are treated consistently and fairly.
- We assess the equalities risks relating to service provision decisions and provide Members with the outputs from those assessments.



Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the authority's intended outcomes and short-term factors such as the political cycle or financial constraints.

- The Council takes a longer term view and publishes these so the public are aware of our intended outcomes. This information can be found in published documents including the Budget Strategy, the Council's Priorities and the Council Plan.
- We have published an annual report to communicate the Council's activities and achievements in the previous year and its financial position and performance.

Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade offs.

- The Council consults the public on significant financial choices including the Budget Strategy and the Annual Budget.

#### **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 which the authority 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.

#### **Determining interventions**

Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore ensuring best value is achieved however services are provided.

- We make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
- We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.

- We ensure that budget calculations are robust and financial reserves are adequate.
- Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets whilst bearing in mind future impacts.

We will strive to engage with citizens and service users of all ages to understand their expectation for future service delivery.

We ensure that there are effective arrangements in place to monitor service delivery.

We 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.

### **Planning interventions**

- Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.

We make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.

We provide senior managers and Members with access to timely financial and performance information.

We align financial and performance data to provide an overall understanding of performance.

- Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered

We publish financial and performance information on a regular basis.

We will strive to engage with citizens and service users of all ages to understand their expectation for future service delivery.

- Considering and monitoring risks facing each partner when working collaboratively, including shared risks.

We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes. We work with our contractors to understand our shared risks.

- Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.

We have prepared contingency arrangements including a disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions.

- Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.

We align financial and performance data to provide an overall understanding of performance.

- Ensuring capacity exists to generate the information required to review service quality regularly.

Individual departments are responsible for reviewing service delivery on a regular basis and there is a process for increasing capacity via Management Board.

- Preparing budgets in accordance with objectives, strategies and the medium term financial plan.

We ensure that budget calculations are robust and financial reserves are adequate.

We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.

- Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.

We produce a Medium Term Financial Plan and a Budget Strategy which articulates our projected expenditure.

### **Optimising achievement of intended outcomes**

- Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource

constraints.

We produce a Medium Term Financial Plan and a budget strategy which articulates our projected expenditure.

We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.

- Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.

We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.

- Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.

The Medium Term Financial Strategy is developed to support and deliver the Council's plan and priorities.

- Ensuring the achievement of 'social value' through service planning and commissioning.

The Council strives to achieve social values by specifying its inclusion in the contract tendering process.

#### **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.

##### **Developing the entity's capacity**

- Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.

We will review the requirements of the roles and assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.

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.

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.

- Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.
- Recognising the benefits of partnerships and collaborative working where added value can be achieved.
- Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

The Council has produced a Workforce Strategy which supports fostering a culture of continuous improvement by embedding transformation and service redesign within the performance management framework of the Council.

### **Developing the capability of the entity's leadership and other individuals**

- Developing protocols to ensure that elected Members and appointed officers negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.

We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.

- Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.

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.

We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.

We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.

- Ensuring the leader and the Executive Director have clearly defined and distinctive leadership roles within a structure whereby the Executive Director leads in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority

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.

We will ensure that effective management arrangements are in place at the top of the organisation.

The Executive Director is responsible and accountable to the Council for all aspects of operational management.

- Developing the capabilities of members and senior management to achieve effective leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:
  - ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged.
  - ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis.
  - ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.

We assess the skills required by Members including the understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.

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.

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.

- Ensuring that there are structures in place to encourage public participation.

All Council meetings are open to the public and agendas are published and made available 5 days in advance of the meeting.

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 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.

- Taking steps to consider the leadership’s own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections.

We maintain an effective Audit Committee which is independent of the executive and scrutiny functions.

In 2013 we participated in an independent Peer Review exercise and welcomed the feedback we received.

- Holding staff to account through regular performance reviews which take account of training or development needs.

We will review the performance and assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.

- Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

We have a number of health and well-being policies in place and provide a number of support packages which staff can access.

## **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.

We ensure our arrangements for financial and internal control and management of risk are formally addressed within the annual governance reports.

### **Managing risk**

- Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.

We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes. We work with our contractors to understand our shared risks.

We 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.

- Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.

The Council's risk register is agreed annually by the Executive Committee. The register is reviewed on a quarterly basis by Management Board and the output is reported to the Audit Committee.

- Ensuring that responsibilities for managing individual risks are clearly allocated.

The responsibilities for managing risk are defined in the Council's risk policy.

### **Managing performance**

- Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.

The Council has a performance management framework which was agreed by the Executive Committee and performance data is reported to Management Board and the Executive Committee on a quarterly basis.



- Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.

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.

The Council's performance framework defines responsibilities for strategic and operational performance.

- Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible.

We maintain an effective Audit Committee and scrutiny functions which provide constructive challenge.

- Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement.

The Council has a performance management framework which was agreed by the Executive Committee and performance data is reported to Management Board and the Executive Committee on a quarterly basis.

- Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

We will ensure effective internal control arrangements exist for sound financial management systems and processes.

### **Robust internal control**

- Aligning the risk management strategy and policies on internal control with achieving objectives.

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.

We 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.

- Evaluating and monitoring risk management and internal control on a regular basis.

We have an effective Internal Audit function which assess internal control and report to the Audit Committee on a quarterly basis.

- Ensuring effective counter fraud and anti-corruption arrangements are in place.

We ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place. We have effective counter fraud policies in place.

- Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.

We have an effective Internal Audit function which assess internal control and report to the Audit Committee on a quarterly basis.

This ensures that the audit committee provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment and that its recommendations are listened to and are acted upon.

We maintain an effective Audit Committee and scrutiny functions which provide constructive challenge.

### **Managing data**

- Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.

We have effective data protection and data management arrangements in place.

- Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.

We have effective data sharing agreements in place.

- Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

The Internal Audit function audits data to ensure that appropriate arrangements are in place for checking the quality and accuracy of the data as part of the annual audit plan.

### **Strong public financial management**

- Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.

The Council takes a longer term view and publishes these so the public are aware of our intended outcomes. This information can be found published in documents including the Budget Strategy, the Council's Priorities and the Council Plan.

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.

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.

- Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls

The Section 151 Officer is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

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.

We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.

### **G: Implementing good practices in transparency, reporting and audit 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.

### **Implementing good practice in transparency**

- Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.

We comply with the local government transparency code and publish all required information in a timely manner.

- Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny, while not being too onerous to provide or for users to understand.

We have put in place effective transparent and accessible arrangements for dealing with complaints. We monitor complaints and would review our transparency arrangements if the public indicated that further clarity was required.

### **Implementing good practices in reporting**

- Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.

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

- Ensuring members and senior management own the results reported.

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

- Ensuring robust arrangements for assessing the extent to which the principles contained in the Governance Framework have been applied and publishing the results of this assessment, including an action plan for improvement and evidence to demonstrate good governance (the annual governance statement).

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

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

- Ensuring that the Governance Framework is applied to jointly managed or shared service organisations as appropriate.

The Council shares its values with partners through the contract tendering process.

- Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.

We produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.

#### **Assurance and effective accountability**

- Ensuring that recommendations for corrective action made by appointed audit are acted upon.

All recommendations from external audit are considered by senior managers and the Audit Committee.

- Ensuring an effective internal audit service with direct access to members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.

The internal audit service reports to the Audit Committee on a quarterly basis and produces an annual report which states progress against previous recommendations.

- Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.

The Council welcomes recommendations and support from external regulatory bodies.

- Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement.

The risks associated with delivering services through third parties and managed as part of our risk management arrangements.

- Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

The Council ensures that accountability is clear when working in partnership.

### **Internal Audit opinion 2016/17**

An important part of the governance arrangements is the maintenance of an Internal Audit function, which operates in accordance with Public Sector Internal Audit Standards.

This opinion statement is provided in support of the Council's Annual Governance Statement as required under the Accounts and Audit Regulations 2015. 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 2016/17 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 above, there is a requirement for the "system of Internal Control" 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 and reviewed within this process, which Internal Audit are a part of; therefore the control environment is reviewed more fully in this way.

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.

This report provides reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2016/17.

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 and Community Services. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.

There are however, seven areas where only Restricted assurance can be provided, which relate to:

- Re-Roofing James Freel Close;
- Housing Stock Condition Survey;
- Barrow Cemetery North West Extension;
- Performance Management;
- Procurement;
- Housing Management System;
- Car Park Meter Income; and
- Kennels.

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. Additionally, any 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.

#### **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 will produce a Medium Term Financial Plan (MTFP) based on the Council's Budget Strategy in order to meet the challenge of reduced Central Government funding. The MTFP and agreed Budget Strategy are the Council's Efficiency Statement required to obtain funding levels up until 2019/20. The MTFP is a living document revised for material changes through the year.

### **Significant governance and internal control issues**

There were no recommendations relating to the Annual Governance Statement in the 2015/16 Annual Audit Letter.

However it is recognised that changes to local government funding is challenging for the Council and will impact on service provision. The Council's proposals for managing funding changes have been agreed and are detailed in the Council's Budget Strategy.

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 were implemented. This will facilitate the Council's business continuity arrangements and the Business Continuity Plan has been prepared. Disaster recovery arrangements are in place to allow priority services to operate if the Town Hall cannot be used. Replicate data is collected in real time and stored off-site. Partial testing of this system has been completed to provide confidence that these arrangements are effective and data is being retrieved on a regular basis. Comprehensive testing has been subject to a number of delays and currently cost of installing a firewall to facilitate accessing external networks is being reviewed.

### **Action Plan**

Action plan for 2017/18

Action	Responsible officer	Due date
Continue to monitor the delivery of the Budget Strategy.	Management Board	
Develop a comprehensive testing plan for Business continuity arrangements	Corporate Support Manager	January 2018



and test capability for delivering services from the Park Leisure Centre.		
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## **J. Certification Statement**

The review of the governance arrangements for the financial year 2015-2016 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

**Manager's assurance statement summary.**

The Council is required to publish an Annual Governance Statement (AGS) on the effectiveness of its internal control framework.

To support the AGS service managers were requested to complete an assurance questionnaire which demonstrates that they are aware of assurance controls that need to be in place. The questionnaires also provided an overview of whether staff are aware of and know how to access a range of key Council policies.

This year 16 of the 17 service areas returned completed questionnaires and although this does not provide a complete picture of assurance there is sufficient data to provide an overview of the level of assurance.

The results indicate that all staff are aware of departmental budgets and undertake some financial management. All staff are aware of performance management and all except parking monitor their own performance. They have mechanisms in place to deal with issues and complaints except HR. Where applicable there is some mechanism for monitoring the performance of contractors. All Managers hold regular team meetings but some are less frequent than monthly.

Most staff are aware of key corporate policies.

An analysis of the questionnaires is shown in appendix 1.

Appendix 1: Assurance gathering questionnaires.

Question	Available evidence
Are you and your staff aware of the Budget Strategy?	100%
Do you monitor your service budget on a regular basis (at least quarterly)?	100%
Are you aware of the Council's performance indicators?	100% awareness but not detail
Do you monitor the performance of your service against these indicators where applicable?	93%
Do your staff attend team meetings on a regular basis (at least monthly)?	86%, 14 % bi-monthly
Do you have a mechanism in place to record and respond to service	93%

complaints?	
Do you have a register of relevant contracts for service delivery and support services?	83% where applicable
Do you monitor the skill requirements for your service and offer training to address skill gaps?	100%
<p>Are your staff aware of the general content of the following corporate policies that are relevant to them and are able to access them?</p> <p><u>Council Plan</u></p> <p><u>Contract / tendering procedures</u></p> <p><u>Contract Standing Orders (Part 4)</u></p> <p><u>Employee code of conduct</u></p> <p><u>Data Protection Policy</u></p> <p><u>Financial Regulations (Part 4)</u></p> <p><u>Health and Safety policy</u></p> <p><u>Email and internet acceptable use policy</u></p> <p><u>Medium Term Financial Strategy</u></p> <p><u>Risk Management Policy</u></p> <p><u>Anti-fraud and corruption policy</u></p> <p><u>Social media policy</u></p> <p><u>Workforce Strategy</u></p>	<p>Non-specific response in most cases which indicates that most staff are aware of these policies.</p>

<b>AUDIT COMMITTEE</b>		<b>Part One</b> <b>(D)</b> <b>Agenda</b> <b>Item</b> <b>17</b>
<b>Date of Meeting: 27th July, 2017</b>		
<b>Reporting Officer: Corporate Support Manager</b>		
<b>Title: Risk Management</b>		
<b>Summary and Conclusions:</b>		
Provide Members with the Council's Risk Registers for 2017/18.		
<b>Recommendations:</b>		
To note the Risk Registers for 2017/18.		

### **Report**

The Executive Committee approved the Corporate and Operational Risk Registers at its meeting of 17th May, 2017. The updated risk registers reflect Management Board's assessment of significant risks to the Council.

The Corporate Risk Management Register has been reviewed and the following changes have been made:

- Corporate Risk 1 – 2017/1 (Impact of legislative changes on HRA income). The Potential Impact has been updated to reflect the increased number of "right to buy" applications.
- Corporate Risk 2 – 2017/1 (Future stability and sustainability of the Council). Has been amended to reflect this increase in projected deficit due to the anticipated reduction in New Homes Bonus. The mitigating action has been revised to reflect alignment with the Council's plan.
- Corporate Risk 4 – 2017/1 (Levels of sickness worsen). There has been an addition to the mitigating actions which recognises the contribution the measures introduced in 2016/17 has made to reducing sickness levels. This will be further monitored before reviewing the risk score.
- Corporate Risk 5 – 2017/1 (Impact of welfare reform changes). The Potential Impact has been amended to reflect the increased impact on the Housing Revenue Account. The Mitigating action has been amended to recognise the on-going financial contribution to external bodies to help support residents.

- Corporate Risk 6 – 2017/1 (Delivery of the water front regeneration programme). The Mitigating Action has been updated to reflect current progress.
- Corporate Risk 7 – 2017/1 (Maintain H&S arrangements). The Mitigating Action has been updated to reflect the proposed, improved inspection regime for properties.
- Corporate Risk 9 – 2017/1 (Information Technology security breach). The Potential impact has been amended to reflect the increased vulnerability from aggressive phishing and use of malware. The Mitigating Action has been amended to reflect actions taken by IT Services.

The Corporate Risk Register for 2017/18 is attached as **Appendix 13** and the changes are highlighted in bold.

The Operational Risk Register has been reviewed and one amendment has been made.

Operational Risk 1 2017/18 (Not having adequate staffing to deliver key services) has been amended to reflect agreed changes to Leisure Services.

The Operational Risk Register for 2017/18 is attached as **Appendix 14** and the change is highlighted in bold.

#### Background Papers

Nil

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
Corporate 1 2017/1 Legislative changes will impact on the Housing Revenue Account Income.	5	5	25	Imposed 1% rent reduction year on year for 3 years. (est total loss in budget of c10% over the 3 years) - welfare reform changes, in particular the continued impact of the bedroom tax, and the implementation of universal credit. There has also been a significant increase in the number of "Right to Buy" applications which are generally for larger properties and is impacting on the our ability to manage tenancies. Although the numbers on universal credit remain low experience is showing it is proving difficult to collect rent from such recipients)	The Housing Service has drafted its next Business Plan which will agree The Service will deal with The threats to income over The next three years in particular. The Housing Service has and is implementing a range of initiatives within its operational arrangements to deal with welfare reform. This ranges from The change in focus of Housing officers and up-skilling to engagement with potential residents with emphasis on ensuring they have budget plans in place from The start of their new tenancy. Equal priority is also afforded to existing tenants to ensure they have The necessary budget plans and arrangements in place to meet their Housing costs. new Technology solutions are also being progressed to improve The management of tenancies.	Assistant Director - Housing	5	4	20

<p><b>Corporate 2 2017/1</b> Future financial stability and sustainability of the Council.</p>	5	5	25	<p>Without sufficient funding plans discretionary services may be at risk of reduction or closure.</p> <p>Statutory services may be delivered with reduced service levels.</p> <p>Staff redundancies may not be avoidable.</p> <p>Funding to external bodies may be reduced.</p> <p>The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans.</p> <p>The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.</p> <p><b>The 2019-20 projected £2.7m deficit which has increase because of the New Homes Bonus will be reduced through the next Budget Strategy</b></p>	<p>The Council's Medium Term Financial Plan has been projected out to 2019-2020 and will be aligned to the Council's Plan and presented to the Executive Committee. All of the assumptions are clearly shown and will continue to be reviewed during the life of the Budget Strategy. The Budget Strategy development process is underway.</p> <p>Through the Budget Strategy, the Medium Term Financial Strategy aim of eliminating the deficit in the core budget will be delivered. This will require the use of the reserves set aside for support and pacing the changes, to achieve longer term financial resilience. The impacts of the Budget Strategy will be closely monitored by Management Board, including the impacts on the workforce. The Council has a Workforce Strategy which provides a clear commitment to employees.</p> <p>Along with the Budget Strategy, the Council will review and publish its Plan, Priorities and Objectives for the coterminous period.</p> <p>The Council is somewhat limited in the additional external funding it can access, but wherever possible bids are submitted where grants are available; this is for projects and not for sustainable services. In order to maximise the grant funding brought into the Borough, the Council increasingly works with other organisations to draw funding in; in most cases taking on the role of accountable body.</p>	Executive Director and Director of Resources	5	4	20
	3	5	15	<p>This is likely to result in the suspension of some service while alternative service providers are identified</p>	<p>The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors</p> <p>The Council retains the intellectual property and assets that will support continuity of services</p>	Management Board	3	4	12
	4	4	16	<p>A significant increase may impact on the Council's capacity to deliver services.</p> <p>An increase in sickness absence may result in the need for temporary staff thereby increasing costs.</p>	<p>The Council put a number of measures in place in 2016/17 which have contributed to reducing the current levels of sickness. Details of sickness management will be reported to Management Board on a quarterly basis.</p>	Director of Resources	3	3	12



<p><b>Corporate 5 2017/1</b> Impact of Welfare Reform changes</p>	<p>4</p>	<p>4</p>	<p>4</p>	<p>This has had an impact on the Housing Revenue Account as detailed in risk Corporate 1 2017/1 above. An increasing number of residents experience low incomes and risk homelessness.</p>	<p>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. The Council provides financial support to Citizens Advice Bureau and the Barrow and District Disability Association to continue to provide welfare benefits advice until 2020.</p>	<p>Management Board</p>	<p>4</p>	<p>3</p>	<p>12</p>
<p><b>Corporate 6 2017/1</b> Delivery of the water front regeneration programme</p>	<p>4</p>	<p>4</p>	<p>16</p>	<p>Failure to deliver the programme will damage the profile of Barrow as a place to live and work. There is currently an active market in private sector residential development which would make the Marina Village of interest to private sector developers.</p>	<p>The Council is committed to complete the site assembly. The project can progress in phases subject to the availability of funding. The first access into the site has obtained planning permission and construction has started. The Council has entered into discussions with the Home and Communities Agency to bring forward the site as a development priority for Cumbria.</p>	<p>Executive Director</p>	<p>3</p>	<p>3</p>	<p>9</p>

<b>Corporate 7 2017/1</b> Maintain H&S arrangements and target services for improvement.	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Group has strengthened the Council's H&S arrangements. Health & Safety systems will be kept under review. All staff have received electronic H&S training. Agreed H&S improvement plan in the process of implementation. High risk services will be targeted for improvement. The Council has been advised on risk mitigation by its insurers Zurich Mutual and has agreed a corporate inspection policy and action plan to improve the inspection of properties.	Executive Director	2	3	6
<b>Corporate 8 2017/1</b> Capacity to undertake statutory inspections, investigations and enforcement action.	5	5	25	Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.	Consultancy services are brought in as required for specific issues or to backfill where Council officers deal with complex cases The administrative process leading to enforcement action will be referred to the Business Improvement Team in 2016; it is hoped that a common approach prior to action, will streamline the Council's regulatory enforcement work.	Assistant Director - Regeneration and Built Environment	4	4	16
<b>Corporate 9 2017/1</b> Information Technology security breach	4	5	20	Corrupt systems and loss of data. Withdrawal of Public Sector Network access. System downtime impacting on service delivery. Low level issues are being identified as risks during the annual testing and the resource requirement for achieving PSN compliance is increasing as a result.	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. IT Services will continue to Review ICT Security and update systems as required. IT Services will also provide training and advise to minimise the risks.	Director of Resources	2	3	6

<b>Corporate 10 2017/1</b> Effective workforce planning	4	4	16	<p>Potential impact – Without effective workforce planning, service delivery and service quality are placed at risk. If adequately qualified and experienced officers are not in place, the risk of service failure and customer dissatisfaction increase and the risk of regulatory failure may need to be addressed. Without a transparent commitment from Management and the Administration, the workforce may be less inclined to remain with the Council for the longer term and seek out a career elsewhere.</p>	<p>Mitigation – The Council has a Workforce Strategy which will be reviewed and updated with the Council Plan and associated documents. Management and the Administration are aware that the Council's workforce is the most valuable resource in achieving service delivery and customer satisfaction. Development, training and succession planning are keys to the retention of the workforce and in recruiting new employees. Where there are skills gaps, the Council will look to fill that gap with training and in the short term look to consultants or other skilled professionals to ensure service continuity. The Council will only look to retain consultants on a short term basis, as and when required, to allow time for the required skills and knowledge to be acquired by the workforce.</p>	Director of Resources	4	3	12
<b>Corporate 11 2017/1</b> Incidents of fraud, bribery or corruption	2	2	4	<p>It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.</p>	<p>Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit</p>	Director of Resources	1	2	2
<b>Corporate 12 2017/1</b> Major incident affecting service delivery	1	5	5	<p>Widespread damage due to fire, flooding or severe weather.</p>	<p>Business continuity plan. Contingency plans. Remote access to Council systems</p>	Executive Director	1	4	4
<b>Corporate 13 2017/1</b> Major incident affecting ICT systems	1	4	4	<p>Damage to Council's ICT infrastructure due to fire or flooding. Failure of ICT systems may adversely affect service delivery.</p>	<p>Disaster recovery plan Business continuity plan. Contingency plans. Remote access to Council systems Offsite replicate server has been established.</p>	Director of Resources	1	3	3

Operational risks April 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
Operational 1 2017/1 Not having adequate staffing to deliver key services.	4	5	20	Key services, including statutory services and demand led services cannot be delivered or delivered at an unacceptably low level.	<p>The many customer facing services have been contracted out and therefore staffing lies with the contractor. Housing are still in house and we will manage staffing levels. It is anticipated that we will have outsourced the Forum and Park Leisure Centre by April 2018.</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> <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>	Management Board	3	4	12
Operational 2 2017/1 Access to operational buildings.	2	5	10	Key services, including statutory services and demand led services cannot be delivered.		Executive Director	1	3	3

Operational risks April 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
<b>Operational 3 2017/1</b> Unable to collect household waste.	3	5	15	Households would potentially have side waste if the refuse container filled up due to delays in collections.  There are health and safety issues with holding waste and particularly side waste for householders.	The waste collection service is contracted out.  There is a waste management snow plan.  There is capacity within the week to put on additional collections to catch up from any delays.	Assistant Director - Community Services	2	3	6
<b>Operational 4 2017/1</b> Unable to pay housing benefits to claimants.	3	5	15	Housing benefit recipients would be unable to pay their rent and this may jeopardise their tenancies.	The BACS file is produced by the Council's contractor a day ahead of time.  The Council has support for BACS from its supplier and from its bank.  Payments can be made by alternative methods in exceptional circumstances.	Director of Resources	2	2	4
<b>Operational 5 2017/1</b> Reduced income may challenge the Council's ability to focus on any more than the decent homes standard and delay investment in the wider environment or the upkeep of communal areas on estates	3	5	15	The Housing Service seeks to ensure the majority of its investment is delivered through a procurement club which adds value, capacity and ensure value for money.	Regular stock surveys are completed and communication with tenants ensures available resources are focused appropriately.	Assistant Director - Housing	2	3	6

Operational risks April 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
<b>Operational 6 2017/1</b> Welfare reform changes will impact on the cost of the Council providing temporary accommodation and the up-turn in the local economy is impacting on the availability of the private sector accommodation such as Bed and Breakfast.	4	4	16	The Council will find it increasing difficult to provide suitable temporary accommodation.	The Council will carryout a review of the options of providing temporary accommodation and seek a model that ensures suitable accommodation is provided and full cost recovery from recipients.	Assistant Director - Housing	4	3	12
<b>Operational 7 2017/1</b> Unplanned outage of the cremator.	2	5	10	Services are pre-booked and there would be disruption to users in rescheduling or transferring the services. There would be a loss of income.	The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined.	Assistant Director - Community Services	2	3	6
<b>Operational 8 2017/1</b> Failure of swimming pool filters or other equipment and downtime for major maintenance work.	2	4	8	The swimming pool would be unavailable to users until fixed. If the outage ran over weeks, the gym & swim members may request a partial refund. There would be a loss of income.	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.	Assistant Director - Community Services	2	3	6

Operational risks April 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
<b>Operational 9 2017/1</b> Significant breach of the Council IT network	4	5	20	Unauthorised access to sensitive financial information which may result loss of monies. Unauthorised access to personal data which may leave to Council vulnerable to litigation. Infection of the Council's network by malicious viruses which may prevent the Council carrying its normal duties. The Council loses access to the Public Sector Network which increase operating costs and impact on us delivering Council services effectively.	The Council has implemented the controls required to comply with the Public Sector Network requirements including robust penetration testing to identify and address weaknesses. Installation of Semantec mail filtering. Bloxx web filtering, robust firewalls, antivirus software. Third party support which includes installing up to date versions and patches to reduce the risk of unauthorised access or infections. E-learning programme on IT security for all staff	IT Team Leader	2	3	6
<b>Operational 10 2017/1</b> Significant system failure	2	3	6	Unable to effectively conduct normal business activities. Loss of historical work and data. Failure to meet deadlines	On-going monitoring of system performance. Disaster recovery arrangements in place with off-site real time replication of data. External support and maintenance contacts in place with appropriate Service Level Agreements	IT Team Leader	1	3	3
<b>Operational 11 2017/1</b> Unmanaged access to Council network	3	2	6	Uncontrolled interventions which may inadvertently impact on the Council's network leading to system downtime.	Change control procedure in place. External access by third parties is risk assessed.	IT Team Leader	1	2	2

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 18</b>
<b>Date of Meeting: 27th July, 2017</b>		
<b>Reporting Officer: Corporate Support Manager</b>		
<b>Title: Monitoring Priority 1 Recommendations</b>		
<b>Summary and Conclusions:</b>		
Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.		
<b>Recommendations:</b>		
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.

There have been no new Priority 1 recommendations since the last meeting.

### **Background Papers**

Nil