



Annual Audit Letter

Year ending 31 March 2018

Barrow-in-Furness Borough Council
August 2018



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Barrow-in-Furness Borough Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 26 July 2018.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £970,000, which equates to 2% of the Council's expenditure in the prior year accounts after adjusting for one off items.
Financial Statements opinion	We gave an unqualified audit report opinion on the Council's financial statements on 31 July 2018.
Use of statutory powers	We did not identify any matters which required us to exercise any of our additional statutory powers.
Value for Money arrangements	<p>We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report to the Council on 31 July 2018.</p> <p>We made two recommendations in relation to our Value for Money work, and these are outlined in Appendix B to this report and relate to the Council's Budget Strategy and procurement arrangements.</p>
Certificate	We certify that we have completed the audit of the accounts of Barrow-in-Furness Borough Council in accordance with the requirements of the Code of Audit Practice.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and it will be finalised by 30 November 2018. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- an efficient audit - we delivered an efficient audit with you in July, completing ahead of the accelerated Local Government deadline, releasing your finance team for other work
- sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- providing training – we provided your teams with technical update training on financial reporting issues relevant to the Sector.

Respective responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK) (ISAs) and other guidance issued by the NAO.

The Accounts have been produced to a very high compliance standard and the finance team have produced good supporting working papers and have also been responsive to our audit queries. A good achievement, especially in the context of a complex set of statements, and the shorter closedown period and tighter statutory deadlines

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

In our audit of the Council's financial statements, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for the audit of the Council's accounts to be £970,000, which is 2% of the Council's expenditure in the prior year accounts after adjusting for the one off gain in housing valuations recognised in the prior year following a change in the national discount factor used for housing stock valuations. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for related party transactions and senior officer remuneration.

We set a lower threshold of £48,000 above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining sufficient evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error. This includes assessing whether:

- the accounting policies are appropriate, have been consistently applied and adequately disclosed
- the significant accounting estimates made by management are reasonable
- the overall presentation of the financial statements gives a true and fair view.

We also read the remainder of the Statement of Accounts including the Narrative Report and the Annual Governance Statement published alongside the Statement of Accounts to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

We carry out our audit in accordance with International Standards on Auditing (UK) and the National Audit Office Code of Audit Practice. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these significant risks and the results of this work.

Audit of the Accounts

Significant Audit Risks

These are the significant risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness obtained a full listing of journal entries, identified and tested large and unusual journal entries for appropriateness evaluated the rationale for any changes in accounting policies or significant unusual transactions. 	<p>We did not identify any issues, which required reporting through our work on management override of controls.</p>
<p>Implementation of new payroll system</p> <p>In April 2017, the Council implemented a new payroll system. Prior to that the Council outsourced its payroll function to a third party provider. We need to gain an understanding of the process adopted to implement the new system, including the process followed to migrate relevant standing data. We also need to confirm that appropriate controls have been incorporated into the design of the new system and that these controls have been implemented as intended by management.</p> <p>We have identified the accuracy and completeness of employee remuneration expenditure as the assertions which give rise to a significant risk of material misstatement.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> made arrangements for our specialist IT audit team to undertake a review of the implementation of the payroll system, including arrangements to import/migrate relevant standing data obtained an understanding of the design of the new system, including the controls developed and implemented by management to prevent and/or detect a material misstatement in the financial statements tested the year-end reconciliation of the payroll system to the general ledger undertook substantive analytical procedures to obtain assurance over the accuracy of the payroll expenditure recorded in the accounts tested for reasonableness any accruals posted by the Council to reflect amounts due to employees but not paid at the year-end. 	<p>We did not identify any issues, which required reporting through our work on the new payroll system.</p>

Audit of the Accounts

Significant Audit Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of property, plant and equipment</p> <p>The Council revalues its non-dwelling land and buildings using a five year rolling programme. Valuations are undertaken by the Council's external valuer. Additional valuations are undertaken, above and beyond those planned as part of the five-year programme, if these are considered necessary to ensure that the carrying value of land and buildings is not materially different from current value at the Balance Sheet date.</p> <p>Council Dwellings are valued on an annual basis in accordance with Housing, Communities and Local Government (formerly Department for Communities and Local Government) guidance.</p> <p>The valuation of land and buildings is a key estimate made by management in order to produce the financial statements. We have identified this estimate and the assumptions underpinning the estimate as a risk which requires special audit attention.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • reviewed management's processes and assumptions for the preparation of the estimate, including detailed consideration of the instructions issued to the external valuer and how the scope of the valuer's work has been determined • assessed the competence, expertise and objectivity of the external valuer • met with the valuer to discuss the basis on which valuations have been carried out and confirmed this is consistent with our expectation based on the provisions of the CIPFA Code of Practice and relevant accounting standards • identified the data provided to and/or obtained by the valuer to inform the valuation process and confirmed the appropriateness of the data used • tested revaluations provided during the year to confirm these are accurately reflected in the asset register and that the associated accounting entries have been posted to reflect movements in asset values • reviewed management's process for obtaining assurance in relation to those assets not subject to formal valuation during the year to confirm the process is sufficiently robust to mitigate the risk the value of assets not revalued might be materially misstated, either at the level of individual assets or in aggregate. 	<p>We did not identify any issues, which required reporting through our work on property, plant and equipment valuations, with the exception of one matter.</p> <p>The Council works closely with its external valuer to make an assessment on material assets that may be subject to material movement between its carrying value to current value. There is scope for the Council to further enhance its wider controls on this by incorporating the use of property valuation indices to give additional assurance that the carrying value of any assets not revalued in year are not materially different to their current value.</p>

Audit of the Accounts

Significant Audit Risks

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability The Council's pension fund asset and liability position as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> • identified the controls put in place by management and the controls established by Cumbria LGPS to ensure that the pension fund liability is not materially misstated. We have assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. On behalf of external audit suppliers to local government, the National Audit Office has commissioned an auditor's expert to undertake a review of the actuaries engaged by local government pension funds, including Cumbria LGPS. We have considered the expert's findings and followed-up on any implications for our audit • undertaken procedures to confirm the reasonableness of the actuarial assumptions made, particularly if these are specific to Barrow Borough Council • checked the consistency of the pension fund asset and liability position and disclosures in notes to the financial statements with the actuarial report. 	<p>We have not identified any issues, which require reporting through our work on the pension fund net liability valuation.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2018, in line with the new earlier national deadline.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline. The accounts were produced to a high standard and were supported by a good set of working papers. The finance team responded promptly and efficiently to our queries throughout the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit Committee on 26 July 2018.

The audit of the 2017/18 statement of accounts did not identify any errors which affect the Council's financial performance for the year. We identified one error in the Statement of Cash flows, where the repayment of PWLB loans of £1,000,000 was shown as an investing activity rather than a financing activity. This was corrected in the final version of the accounts. We also identified a £220,000 classification error on the face of the balance sheet with amounts relating to the present value of minimum lease payments falling due within one year of the balance sheet date incorrectly shown as "Long Term Liabilities". This liability was correctly shown as "Current" in the final version of the accounts.

There were some other minor changes made to disclosure notes following our audit. None of these impacted on the primary statements. There were no unadjusted misstatements identified during the 2017/18 audit. There was one unadjusted misstatement from 2016/17 relating to the Business Rate appeals provision. The prior year misstatement was factored into the calculation of the appeals provision for 2017/18 to ensure there is no understatement as at 31 March 2018.

During the course of our audit we identified some areas where there was scope for the Council to strengthen its internal controls. Our work on revenues identified that the housing rents system had not been fully reconciled to the general ledger in year. As a result we had to carry out substantive analytical procedures to provide adequate assurance over the completeness of housing rents revenue. As shown in Appendix B, we recommend that management ensure the housing rent system is fully reconciled to

the general ledger on a weekly basis. Appendix B also includes a recommendation relating to the valuation of Property Plant and Equipment. We recommend that the Council should consider the use of property valuation indices to give additional assurance that the carrying value of any assets not revalued in year are not materially different to their current value.

Issues arising from our review of the Council's IT systems and controls

In March 2018, our specialist Business Risk Services team carried out a review of the Council's IT systems and controls which affect the financial statements. Significant control weaknesses were noted in the security and access controls of the Council's general ledger. As detailed in Appendix B, we recommend that management review users with access to critical functions with a view to restricting such access to those that need it. Management have confirmed that they will act on this recommendation immediately.

Whilst this internal control deficiency suggests a heightened risk of management override of controls, our detailed testing of journals and enquiries of finance staff and those charge with governance did not highlight any such instances of management override of controls.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website and alongside the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. A number of omissions from the draft Annual Governance Statement were adequately rectified by management in the final version. The Narrative Report was produced to a reasonable compliance standard. However, we did recommend some changes to enhance the readability of it as a standalone Narrative Report, which management implemented in the final version.

We confirmed that both documents post audit were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Barrow Borough Council in accordance with the requirements of the Code of Audit Practice. We issued our certificate as part of the audit report opinion given on 31 July 2018.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified related to the Council's Budget Strategy and procurement arrangements. The work we performed in relation to these risks is set out overleaf.

As part of our Audit Findings report agreed with the Council in July 2018, we agreed two recommendations to address our findings. These are detailed in Appendix B.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
<p>Budget Strategy The Council are making key strategic decisions in 2017/18 which will fundamentally alter models of service delivery impacting on the delivery of the budget strategy from 2018/19. We need to confirm adequate arrangements are in place to prepare for the change in the models of service delivery and that if these changes do not deliver savings, robust plans are in place to bridge the gap in other areas.</p>	<p>The Budget Strategy identified a funding gap of £5.78 million over the period 2016-2017 to 2019-20. Subsequent amendments to the New Homes Bonus scheme came into force and increased the funding gap over the period to £6.42 million. This was on the basis that no action was taken and reserves were used to plug the gap in funding. The Medium Term Financial Support reserve contained £2.87m at the start of the budget strategy, resulting in a shortfall of circa £3m.</p> <p>14 proposals were agreed to address the shortfall, including major contract renewals relating to Waste and Street Cleaning, Revenues, Benefits and Customer Services, Internal Audit and Leisure. The projected benefits of the 14 proposals all but eliminated the funding gap forecast for 2019-20. It was agreed to maintain the Medium Term Financial Support reserve should reductions take longer to be realised.</p> <p>In 2017-18 the budget strategy has achieved reductions of £931,000, against a target of £940,000. The outturn for 2017-18 required £394,030 from the Medium Term Financial Support reserve to balance the General Fund. Major proposals relating to Revenues, Benefit and Customer Services and Leisure do not commence until 2018-19 and 2019-20. The Budget Strategy identifies a profiled deficit reduction of £1.92m, by 2018-19. A small element of the target has been re-profiled into 2019-2020, leaving £1.84m as the deficit reduction target for 2018-2019. The Council set a budget reduction for 2018-19 of £1.77m. Major contract renewals have Council set budget reductions of £826,070, against an initial target plan of £622,650 and Leisure has a budgeted reduction of £275,860 against a plan of £467,000. Therefore, the cumulative Council set budget position is close to the planned target savings.</p> <p>Successful implementation of changes to the models of service delivery for Leisure and Revenues, Benefits and Customer Services are therefore key to the overall success of the Budget Strategy. We set out below our understanding of the current position in relation to the two major savings schemes and our assessment of the arrangements currently in place.</p> <p>Leisure - The Council has been working with external consultants to take forward the procurement of an outsourcing partner to deliver Leisure Services in the Borough. A contract with Life Leisure is operating under a letter of intent (signed by both parties) whilst some contract issues are resolved. Based on the proposed contract and the draft price list, the leisure centre will provide an income stream to the Council, rather than requiring a subsidy. It is important that the new contract is carefully monitored to ensure it realises the benefits assumed in the Budget Strategy. As members took the decision to remove 'The Forum' from the procurement, the Council has some flexibility to realise savings from making its own changes to the way in which it delivers the service provided at the Forum. Officers and Members have met with external consultants and produced an initial set of measures to increase income and review the catering contract.</p> <p>Revenues and Benefits - The Council's existing arrangements for the provision of the Revenues and Benefits service expire during 2018-19. The Council has engaged a range of professional consultants to support the insourcing of this service. There are a number of significant technical matters to resolve, relating to termination of existing arrangement with Liberata, transfer of IT systems and TUPE of Liberata staff. Management need to ensure all issues are satisfactorily resolved to secure the planned savings and best possible Value for Money for the Borough.</p> <p>Conclusion - Given the arrangements outlined above, we concluded that the risk was sufficiently mitigated and the Council has proper arrangements in place to support its Budget Strategy. The Council is running its General Fund and HRA reserves at a minimum level but we acknowledge it has a Medium Term Financial Plan support and budget contingency reserve in place to help smooth a medium term balanced budget position. The Council should continue to plan and closely monitor its finances through a combination of cost reduction, demand management and income generation measures, particularly as reserves will come under pressure if the planned major contract renewal savings are not realised.</p>

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
<p>Procurement Arrangements The 2016/17 Annual Governance Statement identified the need to strengthen the Council's arrangements to ensure all departments can demonstrate compliance with the Council's rules and regulations relating to procurement. We need to confirm that improvements have been made which ensure the Council can demonstrate procurement processes ensure overall value for money.</p>	<p>The 2017/18 Annual Governance Statement identifies the need for the Council to continue to strengthen its procurement arrangements. Our work suggests only limited progress has been made in the 2017/18 year. We are aware that neither senior management nor Internal Audit have been able to secure access to the pre-contract checklist in relation to the waste contract awarded to FCC Environmental Services Limited in the 2016/17 year. This checklist is now more than 20 months overdue. This lack of compliance proof makes it difficult for the Council to prove that they have secured overall value for money in a procurement decision of both high financial value and service delivery significance to the Council's Budget Strategy and priorities. Whilst concerns around this particular procurement decision have existed for 2 years, neither the Audit Committee nor senior management have been able to bring sufficient leverage for the issue to be addressed.</p> <p>Internal Audit's 2017/18 report into procurement reached a conclusion of restricted assurance in this area, noting significant weaknesses in the system of control, which put system objectives at risk. No new recommendations were made but it was reported that the priority 1 recommendation raised in 2016/17 was outstanding. The recommendation referred to officers ensuring that all relevant supporting documentation relating to procurement decisions are confirmed and readily available for inspection to confirm compliance with the Council's procurement decisions. For the second consecutive year, information was not made available by the Streetcare Division, within Community Services. In the Head of Internal Audit Annual Opinion, contract management is highlighted as a specific area of weakness and it notes that third party access to information relating to some smaller contracts has also been restricted.</p> <p>In view of the difficulties outlined above, it was appropriate that the Council's Overview and Scrutiny Committee have undertaken a review of the Council's waste collection service during 2017/18. Members of the group were provided with contractual information relating to FCC Environment's contractual commitment and were satisfied the contract forms a good basis for delivering a satisfactory waste collection and street cleansing service. The Group made 3 recommendations relating to processes and procedures for responding to missed bin reports, processes and procedures for dealing with contaminated loads, and the recycling information that is provided to residents.</p> <p>However, the Council has demonstrated some learning from the Waste Contract procurement, with the same difficulties not noted in its procurement for the new Leisure Contract. It has taken further steps to strengthen procurement arrangements. A new Purchasing Officer has been appointed and there are plans to appoint a Community Services Contracts Lead. This post will be the client officer for the Leisure contract, Waste contract, Catering contract and any other major contracts within Community Services.</p> <p>Conclusion</p> <p>Given the arrangements outlined above, we concluded that the risk was sufficiently mitigated and the Council has reasonable arrangements in place. However, there is still significant scope for strengthening these arrangements and it is imperative that the pre-contract checklist relating to the waste contract is provided to demonstrate compliance with the Council's procurement policies and procedures. The Council needs to dedicate sufficient resource to ensure it receives compliance assurance within its ongoing procurement and ongoing contract management arrangements.</p> <p>We have made two recommendations to this effect in Appendix B.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit and provision of non-audit services.

Reports issued

Report	Date issued
Audit Plan	22 March 2018
Audit Findings Report	26 July 2018
Annual Audit Letter	24 August 2018

Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	51,119	51,119	51,119
Housing Benefit Grant Certification	16,168	TBC	18,604
Total fees	67,287	TBC	69,723

The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA). We will confirm the final Housing Benefit Grant Certification fee on completion of this work.

Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. In the previous year we undertook an agreed upon procedures engagement in relation to the Council's Housing Capital Receipts return. The Fee for this work was £2,500. It is likely that the Council will need to make arrangements to obtain assurance in relation to this return this year.

We have considered whether this non-audit service might be perceived as a threat to our independence as the Council's auditor. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £2,500 in comparison to the total fee for the audit of £67,287 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

The above non-audit services are consistent with the Council policy on the allotment of non-audit work to your auditor.

B. Recommendations

We have identified 3 recommendations for the Council as a result of financial statements related issues we found during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit, and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
1	<p> IT Systems and Controls</p> <p>We noted that there were 10 users with access to critical functions e.g. Flexfields, Users and Functions which can be used to modify ledger codes, modify responsibilities assigned to users and create or modify existing functions within the application.</p> <p>Management should review the report that we have provided that contains details of all users who have access to critical functions within Oracle. Any users that do not strictly require these functions to perform their job should have this level of access removed.</p>	<p>Review users with access to critical functions with a view to restricting such access to those that need it.</p> <p>Management response</p> <p>The Oracle report will be reviewed immediately and where access to the critical functions identified is not required, it shall be removed.</p> <p>Assigned to the Financial Services Manager.</p>
2	<p> Property Plant and Equipment Valuations</p> <p>The Council is required to satisfy itself that the carrying value of assets not revalued in year are materially consistent with their current value.</p> <p>The Council works closely with its external valuer to make an assessment on material assets that may be subject to material movement between its carrying value to current value.</p>	<p>Consider the use of property valuation indices to give additional assurance that the carrying value of any assets not revalued in year are not materially different to their current value.</p> <p>Management response</p> <p>The use of property valuation indices will be discussed with the external valuer at the next meeting in the autumn.</p> <p>Assigned to the Assets Accountant.</p>
3	<p> Housing Rents System</p> <p>The Housing Rents System has not been fully reconciled to the General Ledger.</p> <p>We have had to carry out substantive analytical procedures to provide adequate assurance over the completeness of housing rents revenue.</p>	<p>Management should ensure the Housing Rents system is reconciled to the General Ledger on a weekly basis.</p> <p>Management response</p> <p>The weekly reconciliation of the Housing Rents system will be re-established in 2018-2019 with the software supplier enhancing the reporting module to provide the information required to complete the reconciliation from the system commencement.</p> <p>Assigned to the Service Accountant.</p>

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

B. Recommendations

We have identified 2 recommendations for the Council as a result of Value for Money related issues we found during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit, and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

	Assessment	Issue and risk	Recommendations
4	●	<p>Budget strategy delivery</p> <p>The Council is running its General Fund and HRA reserves at a minimum level but we acknowledge it has a Medium Term Financial Plan support and budget contingency reserve in place to help smooth a medium term balanced budget position.</p>	<p>Continue to plan and closely monitor the Council's finances through a combination of cost reduction, demand management and income generation measures, particularly as reserves will come under pressure, especially if the contract renewal savings are not realised as planned.</p> <p>Management response</p> <p>A full review of the Budget Strategy for the General Fund and future finances for both the General Fund and the HRA is planned for the autumn and this includes the levels of financial reserves.</p> <p>Assigned to the Director of Resources.</p>
5	●	<p>Procurement and contract management</p> <p>The waste contract pre-contract checklist is now more than 20 months overdue. There is still significant scope for strengthening these arrangements and it is imperative that the pre-contract checklist relating to the waste contract is provided to demonstrate compliance with the Council's procurement policies and procedures and that the Council has secured value for money. The Council also needs to dedicate sufficient resource to ensure it receives compliance assurance within its ongoing procurement and ongoing contract management arrangements.</p>	<p>Ensure the waste contract 'pre-contract checklist' is made available for audit to provide assurance on process and that the Council has achieved value for money to both Management and the Audit Committee.</p> <p>Ensure that the Council's policies and procedures, including completion of pre-contract checklist and robust contract monitoring compliance arrangements are in place for all significant contracts.</p> <p>Management response</p> <p>The completion of the waste contract pre-contract checklist has been assigned to the Executive Director with a view to completion in October 2018; including the responses to the Internal Audit final report.</p> <p>The Executive Director, Director of Resources, Head of Internal Audit and Corporate Support Manager will undertake a review of the pre-contract checklist process and address any parts of the pre-contract checklist that are causing issues. The major external contracts reside within the Community Services division and a Community Services Contracts Lead has been appointed from the 1st August, 2018. The Corporate Support Manager will establish a mechanism for identifying high value contracts at an early stage and a process for monitoring the completion of checklists. The Council has recruited a Purchasing Officer who is reviewing the procurement process and will monitor and address areas of non-compliance with the Council's procedures.</p> <p>The target date for completion is December 2018.</p>

Controls

- High – Significant effect on control system
- Medium – Effect on control system
- Low – Best practice



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