

Annual governance report

Barrow in Furness Borough Council

Audit 2011/12



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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 28 September 2012, I expect to issue an unqualified audit opinion as shown at appendix 1. I am very pleased to report that no material errors were found on the primary statements and the overall completeness and accuracy of the accounts and disclosures notes was good.

The financial statements were prepared and submitted for audit on time and the working papers to support the accounts were of a good standard.

Value for money (VFM)

I conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources. I have found the Council has plans in place to achieve its deficit reduction strategy.

I note that the new contracting and tendering arrangements introduced back in December 2010 are still not fully embedded. The Council has still significant weaknesses in particular within Cultural and Related Services. The Council needs to address these weaknesses as it is currently exposed to additional risks.

I found that the Council's arrangements for managing its resources are adequate. The Council needs to closely monitor and manage the income generation element of the strategy given the ongoing depressed economy. I found there to be scope for the Council to develop a more detailed medium term Council Plan which is supported by an organisational improvement plan to assist delivery of its agreed key priorities 2012-2015.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) – Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Council during 2011/12.

I ask the Audit Committee to:

- take note of my comments and adjustments to the financial statements;
- approve the letter of representation as shown in appendix 2, on behalf of the Council before I issue my opinion and conclusion; and
- agree your response to the proposed action plan as set out in appendix 4.

Financial statements

The Council's financial statements and annual governance statement are important means by which the Council accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Corrected errors

I am very pleased to report that no material errors were found on the primary statements and the overall completeness and accuracy of the accounts and disclosure notes was good.

The financial statements were prepared and submitted for audit on time and the working papers to support the accounts were of a good standard.

In terms of the key disclosure notes supporting the main primary statements I found some errors in the figures for prior years. For example on the face of Cash flow Statement the financing activities entry shows £729,000 for 2010/11, but the supporting Note 29 shows £8,159,000 which was the balance from 2009/10. The supporting notes have been amended.

Significant risks and my findings

I reported to you in my March 2012 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In table 1 I report to you my findings against each of these risks.

Table 1: **Risks and findings**

| Risk | Findings |
|--|--|
| <p>Heritage Assets</p> <p>The 2011/12 Code adopts the requirements of FRS 30 Heritage Assets. A heritage asset is a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities held and maintained principally for its contribution to knowledge and culture.</p> <p>In the Council's 2010/11 accounts heritage assets are estimated to be in the region of £2.3 million. There is a risk the Council may be unable to identify and account for all heritage assets due to the nature of these assets and artefacts, and the complexity of the valuations.</p> | <p>I have evaluated the management controls you have in place to recognise and value heritage assets.</p> <p>I have also undertaken testing to check that the Council has accounted for heritage assets in accordance with FRS 30 and the Code. The value of heritage assets was £721,000 as at 1 April 2011 and £705,000 as at 31 March 2012.</p> <p>My testing has not identified any significant issues with the exception of two additional disclosures. Firstly, to explain the difference between the estimated insurance value back in 2010/11 of £2.3 million and the actual market valuation of £0.7 million in 2011/12. Secondly, the information on valuation, useful lives and depreciation was not clear for each Heritage asset type. The Council has now included the required disclosures in the appropriate places in the explanatory foreword, the accounting policies and Heritage Assets Note 13</p> |

Risk

New payroll system

The Council has changed the payroll system it uses during 2011/12, with a new service organisation providing the service from November 2011. Internal Audit has also raised a number of issues, which I assess to be key control weaknesses, in relation to the old payroll system as used up to October 2011.

There is a risk that payroll figures in the 2011/2012 accounts could be misstated through a combination of the control issues on the old system and with the introduction of a new payroll system.

Internal Audit is to carry out a review of the new payroll system and I will rely on their work where possible.

Findings

I worked closely with Internal Audit to assess the impact of the control weaknesses identified in the old and new payroll systems and the most efficient way of gaining assurance was through a substantive testing strategy for 2011/12.

The detailed substantive payroll testing I carried out as part of the final opinion audit found consistency between the two payroll systems and the main financial statements. The payroll information was complete, accurate, properly classified, and led to accurate financial information within the statements. Notwithstanding Internal Audit's findings summarised below, I concluded that payroll expenditure was accurately and completely recorded in the Council's accounts.

I have discussed with the Borough Treasurer the impact of Internal Audit's payroll system testing and it is important the control weaknesses identified are addressed such as:

- validating the standing establishment and personal data held on the payroll system; and
- reviewing and documenting validation checks on monthly payroll processing.

Significant weaknesses in internal control

It is the responsibility of the Council to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Council has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Council only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control.

I have reviewed the Annual Governance Statement (AGS). As reported in my previous Annual Governance Report, the Council needs to develop its assurance gathering arrangements in place to support the AGS disclosures to ensure that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is fully consistent with other sources of assurance and information over and above internal and external audit identified issues.

The AGS has also been updated to reflect the requirements of Application Note 10 on financial management arrangements and some clarity on progress made on previous recommendations.

The following weaknesses in internal control are only those I have identified during the audit that are relevant to preparing the financial statements.

Table 2: **Internal control issues and my findings**

| Description of weakness | Potential impact and Management action |
|--|---|
| <p>Treasury Management</p> <p>I note that the Council is holding all of its cash with one banking institution in an instant access account. The balance on this account as at 31 March 2012 was £5.3m. The average daily bank balance during the 2011/12 year was around £7.8m.</p> | <p>I recommend the Council reviews its current treasury management arrangements on balancing risk and reward on how it invests deposits.</p> |
| <p>Risk registers</p> <p>I note the Council does not have any operational risk registers and relies on risks being managed through the strategic risk register.</p> | <p>It is important the Council maintains up to date strategic and operational risk registers to allow for risks to be managed and monitored at the appropriate level.</p> |

Recommendations

- R1** Introduce robust ongoing assurance gathering arrangements to support the Council's annual governance statement
- R2** Review treasury management policies in terms of risk and reward on current practice of all deposits held with one banking institution.
- R3** Introduce departmental/or key service risk registers to ensure risks are being monitored and managed at the appropriate level.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Council's financial reporting process including the following.

- Qualitative aspects of your accounting practices including accounting policies, accounting estimates and financial statement disclosures. Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest.

I have some qualitative aspects I wish to report as shown in table 3. The Council has amended the accounts for all of these disclosures and a number of other minor inconsistencies and errors.

Table 3: **Accounting practices and financial disclosures**

| Issue | Findings and outcome |
|---|--|
| <p>Disclosures in the Explanatory foreword</p> <p>I found the explanatory foreword needed some amendments to assist the reader of the accounts to easily reconcile the net outturn and reserves position to the main statements.</p> | <p>The net outturn and use of reserves were not easy to reconcile to the main statements.</p> <p>The Council has updated its explanatory foreword to illustrate a full reconciliation to the main statement disclosures on the net outturn and reserves position.</p> <p>The Council has updated the explanatory foreword and contingent liability Note 41 to reflect the recent Supreme Court judgement against MMI and the possible impact on a solvent run off for its members of the Scheme of arrangements. As a result the Council has reviewed its contingent liability and does not consider a provision is required at this stage as the timing and value of the liability is still uncertain. The estimated maximum clawback affecting the Council is estimated to be no more than £0.35 million.</p> <p>A number of other minor amendments to the explanatory foreword have been implemented.</p> |

| Issue | Findings and outcome |
|---|---|
| <p>Related Party Transaction (RPT) Note</p> <p>The RPT Note included a number of agency arrangements such as precepts and pension fund which are not related party transactions.</p> | <p>The Council has updated its RPT Note to remove the agency arrangements and has made a number of other minor amendments to ensure compliance with the IFRS Code and ISA+550.</p> |
| <p>MIRS and Capital Adjustment Account Notes consistency</p> <p>Revenue expenditure funded from capital under statute (REFCUS) and Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing are inconsistent between Note 7 (MIRS) and Note 22 (Capital Adjustment Account)</p> | <p>The Note 7 MIRS was corrected as follows.</p> <ul style="list-style-type: none"> ■ REFCUS from £0.18m to £1.23 million. ■ Capital grants from (£0.31m) to £1.114 million. <p>I acknowledge that this amendment was purely between the two notes and did not affect the MIRS primary statement.</p> |
| <p>Property Plant and Equipment (PPE) and Capital Adjustment Account consistency</p> <p>Revaluation losses on Property Plant and Equipment are inconsistent between Note 12 (PPE) and Note 22 (Capital Adjustment Account).</p> <p>Note this did not affect the Balance Sheet as it only affected Note 12 PPE disclosure note.</p> | <p>The PPE note was corrected as follows.</p> <ul style="list-style-type: none"> ■ Revaluation increases/(decreases) recognised in the (Surplus)/Deficit on the Provision of Services <ul style="list-style-type: none"> – Other Land and Buildings: from -£2,337,000 to -£2,386,000 – HRA Land and Buildings: from £6,000 to -£81,000 – Equipment: from nil to -£7,000 – Community: from nil to -£25,000 – Surplus: from £15,000 to -£40,000. ■ Derecognition Disposals <ul style="list-style-type: none"> – Other Land and Buildings: from -£49,000 to nil – HRA Land and Buildings: from -£89,000 to nil – Equipment: from -£36,000 to nil – Community: from -£25,000 to nil – Surplus: from -£55,000 to nil. ■ Depreciation charge <ul style="list-style-type: none"> – HRA Land and Buildings: from £134,000 to £136,000 – Equipment: from nil to £29,000. |

| Issue | Findings and outcome |
|--|---|
| | <ul style="list-style-type: none"> ■ Eliminate depreciation on revaluation <ul style="list-style-type: none"> – HRA Land and Buildings: Change from £2,000 to nil – Equipment: Change from £29,000 to nil. |
| <p>Financial Instruments note</p> <p>I found the maturity analysis of financial liabilities bandings as shown under liquidity risk was incorrect. The analysis did not affect the loan figures produced within the Balance Sheet.</p> | <p>The following bandings were wrong but have been corrected.</p> <ul style="list-style-type: none"> ■ Between 5 and 10 years from £0m to £5m ■ Between 15 and 20 years from £5m to £7.35m ■ Between 20 and 25 years from £7.35m to £8.5m ■ Between 25 and 30 years from £8.5 to £1.239m ■ Between 30 and 35 years from £1.239m to nil ■ Between 35 and 40 years from nil to £4m ■ Between 40 and 45 years from £12.39m to £8.39m. |

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 14th September 2012 I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 28 September 2012.

Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my March 2012 Audit Plan I reported to you the two significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria, including the findings of my work addressing these risks on achieving the Council's Deficit reduction strategy.

I will issue an unqualified conclusion stating that the Council has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in appendix 1.

I identified weaknesses in your tendering and contracting arrangements, to properly manage and govern procurement across the entire Council as set out below. I have raised issues on tendering and contracting back in 2009/10 leading to an except for VFM conclusion and I also had ongoing concerns as raised in the 2010/11 Annual Governance Report.

Table 4: **Value for money conclusion criteria and my findings**

| Criteria | Risk | Findings |
|---|---|---|
| <p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p> | <p>The Council's proposals for cost reduction do not progress as quickly as forecast and savings are not made which reduces the Council's financial resilience.</p> | <p>I found the Council has taken a proactive approach to achieving its deficit reduction strategy. The Council achieved staffing cost savings of £1.5 million, efficiency savings of £0.47 million and service reductions of £0.5 million from 2011/12 onwards.</p> <p>The Council is currently reducing costs through its deficit reduction strategy. In 2011/12 the Council achieved its entire £1.1m projected savings. I acknowledge the Council is managing the medium term financial strategy through a combination of the £2.5 million of savings already secured, income generation and use of transitional restructure grant reserves.</p> |

| Criteria | Risk | Findings |
|---|--|---|
| | | <p>It is vital the Council monitors the income generation element of its strategy given the ongoing depressed economy. There is scope for the Council to develop a longer term 10 year financial strategy.</p> <p>Clear plans for use of the reserves need to be agreed and monitored to help deliver the Medium Term Financial Strategy.</p> |
| <p>2. Securing economy efficiency and effectiveness</p> <p>The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.</p> <p>Focus for 2011/12:</p> <p>The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.</p> | <p>The Council fails to maintain improvements made on its tendering and contracting arrangements during 2011/12.</p> | <p>Tendering and contracting arrangements</p> <p>I did identify a number of significant weaknesses in your procurement, tendering and contracting arrangements up to December 2010. These weaknesses were indicative of poor governance arrangements for tendering and contracting, and exposed the Council to potentially significant risks. I acknowledge improvements have been made to both the tendering and contracting arrangements since January 2011, but there remains scope for further improvement.</p> <p>It is clear from Internal Audit's related reviews and our additional audit work, that arrangements for tendering and contracting in Cultural and Related Services remain weak. It is critical that CHEST and the new contract and procurement policies and monitoring regime together with the updated financial regulations are fully adhered to across the Council.</p> <p>I have identified that further improvements can be made to create a central Contract Register of existing tendering and contracting monitoring arrangements across CHEST, Legal, Internal Audit and externally managed major procurement (such as housing procure plus).</p> |

| Criteria | Risk | Findings |
|----------|------|---|
| | | <p>VFM indicators</p> <p>I note the Council is continuing to prioritise its resources within tighter overall funding. The Council's spend per head at £448 for 2010/11 is below the nearest neighbour comparator median of £503, with a 4% decrease on equivalent spend in 2009/10.</p> <p>I acknowledged the Council needs to balance its key priorities 2012 to 2015 plan with the financial resources and capacity available. I found there to be scope for the Council to develop a more detailed medium term Council Plan which is supported by an organisational improvement plan to assist delivery of the agreed priorities.</p> <p>The Audit Commission's VFM profile (prepared from information supplied to central government each year by all Councils) of the Council's key indicators shows that:</p> <ul style="list-style-type: none"> ■ percentage of minor planning applications determined in 8 weeks for the 4th Quarter of 2010/11 was in the worst quartile of its nearest CIPFA neighbour group; ■ a key outlier was the spend on council tax benefits and housing benefits administration of £23 per head compared to an average of £17.66 per head; and ■ another key outlier was the net spend on non domestic rates (NDR) collection per non domestic property was in the highest 5% of its nearest CIPFA neighbour group. <p>The two outliers are indicative of a relatively expensive contract to manage revenue administration.</p> |

Fees

I will complete the audit within the planned fee of £112,100 (£122,000 in 2010/11). The Audit Commission has also given the Council an 8 per cent rebate of £8,968.

Appendix 1 – Draft independent auditor's report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BARROW IN FURNESS BOROUGH COUNCIL

Opinion on the Council's financial statements

I have audited the financial statements of Barrow in Furness Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of Barrow in Furness Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Borough Treasurer's Responsibilities, the Borough Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Borough Treasurer; and the overall presentation of the financial statements.

In addition, I read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion, the financial statements:

- give a true and fair view of the financial position of Barrow in Furness Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if:

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects.

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, Barrow in Furness Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of Barrow in Furness Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Gina Martlew
Appointed Auditor

September 2012

Audit Commission, Aspinall House, Aspinall Close, Middlebrook Bolton, BL6 6QQ

Appendix 2 – Draft letter of management representation

Barrow in Furness Borough Council – Audit for the year ended 31 March 2012

Letter from Management to the Auditor

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other senior managers of Barrow in Furness Borough Council, the following representations given to you in connection with your audit of the Authority's financial statements for the year ended 31 March 2012.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom which give a true and fair view of the financial position and financial performance of the Authority, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

I have made available all relevant information and access to persons within the Authority for the purpose of your audit. I have properly reflected and recorded in the financial statements all the transactions undertaken by the Authority.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Authority has complied with all aspects of contractual arrangements that could have a material effect on the financial statements in the event of non-compliance.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

Related party transactions

I confirm that I have disclosed the identity of the Authority's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the Code.

Subsequent events

I have adjusted for or disclosed in the financial statements all relevant events subsequent to the date of the financial statements.

Signed on behalf of Barrow in Furness Borough Council

I confirm that this letter has been discussed and agreed by the Audit Committee on 27 September 2012

Signed

Name

Position

Date

Appendix 3 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion [and conclusion].

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as ‘an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor’s report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

Appendix 4 – Action plan

Recommendations

Recommendation 1

Introduce robust ongoing assurance gathering arrangements to support the Council's annual governance statement

Responsibility Monitoring Officer

Priority Medium

Date 2012/13

Comments A governance group has been set up which will feed back to Management Board and Management Group.

Recommendation 2

Review treasury management policies in terms of risk and reward on current practice of all deposits held with one banking institution. .

Responsibility Borough Treasurer

Priority Medium

Date Ongoing

Comments The position with the Council's temporary surplus cash is under constant review. Security, liquidity and yield are always considered. The Council's deposit with its' own bank is secure and liquid. Higher yields that are available will continue to be monitored until such time as the Borough Treasurer is satisfied with the security and liquidity available.

Recommendations

Recommendation 3

Introduce operational risk registers to ensure risks are being monitored and managed at the appropriate level.

| | |
|-----------------------|---|
| Responsibility | Executive Director |
| Priority | Medium |
| Date | 2012/13 |
| Comments | Introduction of a rolling programme of operational risk assessment commencing with high risk services in 2012/13. |

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

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