

The Audit Findings for Barrow Borough Council

Year ended 31 March 2015

24 September 2015

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Dear Sir/Madam

Audit Findings for Barrow Borough Council for the year ending 31 March 2015

This Audit Findings report highlights the significant findings arising from the audit for the benefit of those charged with governance (in the case of Barrow Borough Council, the Audit Committee) , as required by International Standard on Auditing (UK & Ireland) 260. Its contents have been discussed with management.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed primarily for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. 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.

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Yours sincerely

Jackie Bellard

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Section 1: Executive summary

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Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Barrow Borough Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position, the expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

We communicated our proposed approach to you in our Audit Plan which we presented to the Audit Committee on 5 March 2015. Since producing our audit plan, we made some changes to our approach to the audit of housing benefit expenditure to ensure the approach complies with relevant auditing standards as explained on page 8 of this report. No new risks have been identified and there have been no other changes to our approach.

Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements;
- obtaining and reviewing the final management letter of representation;

- review of final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion; and
- Whole of Government Accounts

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- management continue to produce high quality financial statements which are free from material error and are supported by well-prepared working papers

We have identified no adjustments affecting the Council's reported financial position. The draft and final financial statements for the year-ended 31 March 2015 recorded net income of £1.649M. We have, however, agreed one amendment to the primary statements which has no overall impact on the outturn position. We also agreed with management three adjustments to disclosures to ensure full compliance with the CIPFA Code of Practice and relevant accounting standards. One of these amendments is material.

Further details are set out in section two of this report.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

The National Audit Office has set a testing threshold which determines whether any detailed work is required in respect of Whole of Government Accounts. The Council's return is below this threshold so no testing is required. We will be submitting the appropriate return which confirms that this is the case after we have issued our opinion on the financial statements.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

We draw your attention in particular to control issues identified in relation to:

- weaknesses in the configuration of the Oracle accounting system which could lead to officers having excessive access to processing and authorisation functions

Further details are provided within section two of this report.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Director of Resources.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Director of Resources and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

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Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee on 5 March 2015. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have made one change to the Audit Plan which we reported to you on 5 March 2015. This concerns our approach to the audit of housing benefits where changes to International Standards on Auditing prevent us from relying on internal audit's detailed testing of housing benefit.

Audit opinion

Our proposed audit opinion is set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, after considering the risk of improper revenue recognition we rebutted the risk on the basis that there was insufficient evidence of an incentive to manipulate revenue recognition, limited opportunities to improperly recognise revenue to a material extent and a prevailing culture within the Council which does not tolerate fraud. Details of the work undertaken in relation to other significant risk is set out below.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management override of controls</p>	<ul style="list-style-type: none"> • review of accounting estimates, judgements and decisions made by management; • testing of journal entries; and • review of unusual significant transactions. 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p>	<p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle; • tested both expenditure transactions and a sample of creditors and accruals to ensure "cut-off" is correct (ie. that they are recorded in the right period); and • tested a sample of payments made in the 2015-16 financial year to confirm that these had been accounted for correctly according to whether they related to the 2015-16 financial year or the prior financial year. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>
<p>Employee remuneration</p>	<p>Employee remuneration accrual understated</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • reviewed the systems and controls that the Council has in place to ensure that its employees are paid the correct amount based on hours worked and their contractual entitlement, including arrangements to accrue for amounts outstanding but not yet paid at the year-end. This included consideration of the Council's contract with Selima, its outsourced payroll provider; • tested a sample of 2014-15 payroll transactions to confirm employees received the salary and wages due to them; • completed analytical procedures to identify any discrepancies in monthly payrolls and consideration as to whether payroll expenditure is in line with our expectations based on supporting evidence; and • tested the reconciliation between the payroll system and the amounts recorded in the financial statements. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • walked-through a transaction to update our understanding of the benefits system and ensure there are appropriate controls in place that are designed effectively; • tested the reconciliation between the benefits system and the amounts recorded in the financial statements; • confirmed that the correct parameters have been input to the benefits system and the benefits claim for 2014/15 has been prepared in accordance with the software supplier's instructions; and • tested a sample of benefits payments to confirm that the claimant was eligible to receive housing benefit and the amount received was correctly calculated. 	<p>Our audit work has not identified any significant issues in relation to the risk identified.</p>



New issues and risks identified during the course of the audit

This section provides commentary on new issues and risks which were identified during the course of the audit and were not previously communicated in the Audit Plan




	Issue	Commentary
1.	<p>Our Business Risk services department undertook a detailed review of the configuration of Oracle, the Council's main accounting system. This identified some weaknesses in the Council's arrangements, specifically:</p> <ul style="list-style-type: none"> • some users had considerable access to the system which was, in some cases, perceived to be excessive; • in some cases users could assign themselves additional responsibilities without formal approval being obtained; • there were some generic user accounts within the system which had significant access rights allocated; and • the Council had not enabled 'audit-logging' so that inappropriate use of the system could be detected. 	<p>The Council's financial systems have been designed to incorporate both manual controls operated by staff and automated controls which form part of the main accounting software system used by the Council. To address the weaknesses highlighted within the Oracle system, we have designed our transactional testing to ensure that the manual controls which would prevent and/or detect inappropriate use by staff of their access to the system are in place and have operated in this financial year. However, the weaknesses within Oracle we found undermine the Council's information governance arrangements and could present a significant risk to the Council if an override of manual controls were to occur. Senior management recognise the need to make changes so that officers only have the level of access they require and any additional access is approved on an 'as required' basis with that access being removed as soon as it ceases to be needed.</p> <p>Two recommendations relating to the weaknesses identified are set out in the Action Plan included at Appendix B to this report.</p> <p>Management response</p> <p>The Business Risk review of Oracle Financials highlighted a number of areas for the Council to review where system alterations could enhance the manual controls that are currently operated. The users with considerable access fall into two categories, the system administrators (the 3 senior finance managers) and the Finance Department staff. The review identified that for some functions there is a facility within the system 'the process tab' which although not used by anyone, would allow an officer to perform a function outside their responsibility; these facilities are being removed. The system administrators are also users of Oracle Financials, so have access to the modules, however it is necessary to add other modules or responsibilities from time to time in order to administer the system or when resolving issues that have arisen. The access to perform this (system administration) cannot be removed as it would impact on the usability of the system, but it is agreed that alterations to the system administrator access should be logged and approved by another senior finance manager. Audit-logging is a tool within the system which basically records keystrokes and there are certain forms within the system where this would allow greater checking to be performed, such as amendments to supplier bank accounts; here there are manual controls to ensure that only valid changes are performed and audit-logging would enhance that. Audit-logging does increase the data stored within the database, so will not be switched on globally. Finance will assess the key areas that will benefit most from audit-logging.</p>

Accounting policies, estimates & judgements



In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<ul style="list-style-type: none"> The Council recognises revenue from a range of sources including fees and charges, grants and taxation. Revenue from exchange transactions, principally fees and charges, is recognised when the risks and rewards of ownership have been transferred to the purchaser and it is probable that economic benefit will flow to the Authority. For non-exchange transactions, principally taxation and grants, revenue is recognised when it is probable that economic benefit will transfer to the Council. 	<p>We have reviewed the accounting policy adopted and are satisfied that it is consistent with the CIPFA Code of Practice and relevant accounting standards</p>	 GREEN
Estimates and judgements	<ul style="list-style-type: none"> Key estimates and judgements include: <ul style="list-style-type: none"> pension fund valuations and settlements; useful life of capital equipment; PPE valuations; and provision for business rate appeals. 	<p>We have reviewed the approach taken by management to produce the material estimates included in the accounts. The valuation estimates relating to Property, Plant and Equipment, pension assets and pension liabilities are all based on information provided by appropriately-qualified and experienced experts. We have reviewed the approach taken by the nominated expert and concluded that it is reasonable and any assumptions made are appropriately supported.</p> <p>The provision relating to business rate appeals is based on data provided by the Valuation Office Agency. We have confirmed that the Council has made appropriate use of the data provided to them by the Valuation Office Agency.</p>	 GREEN

Assessment

-  Marginal accounting policy which could potentially attract attention from regulators
-  Accounting policy appropriate but scope for improved disclosure
-  Accounting policy appropriate and disclosures sufficient

Accounting policies, estimates & judgements continued

Accounting area	Summary of policy	Comments	Assessment
Going concern	The Directors have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed the Directors' assessment and are satisfied with managements' assessment that the going concern basis is appropriate for the 2014/15 financial statements.	 GREEN
Other accounting policies	We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	Our review of accounting policies has not highlighted any issues which we wish to bring to your attention	 GREEN

Assessment

- Marginal accounting policy which could potentially attract attention from regulators
- Accounting policy appropriate but scope for improved disclosure
- Accounting policy appropriate and disclosures sufficient

Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	<ul style="list-style-type: none"> We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit.
2.	Matters in relation to laws and regulations	<ul style="list-style-type: none"> We are not aware of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	<ul style="list-style-type: none"> A letter of representation has been requested from the Council.
4.	Disclosures	<ul style="list-style-type: none"> We identified and have agreed some minor changes to disclosures in the accounts which have been agreed with management.
5.	Matters in relation to related parties	<ul style="list-style-type: none"> We identified three related party transactions which had not been disclosed. The revised accounts have been updated to include the omitted disclosures.
6.	Confirmation requests from third parties	<ul style="list-style-type: none"> We requested from management permission to send confirmation requests to a number of financial institutions for bank and investment balances. This permission was granted and the necessary confirmations were received..

Internal controls

The purpose of an audit is to express an opinion on the financial statements.

Our audit included consideration of internal controls relevant to the preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. We considered and walked through the internal controls for Employee Remuneration, Operating Expenses and Housing Benefits as set out on pages 10-11 above. These walkthroughs did not identify any matters which we need to report. The only weakness in internal control identified which we need to report concerns the findings of our IT audit work, as set out earlier in this report on page 12.

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.

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management. There are no unadjusted misstatements this year and no unadjusted misstatements have been brought forward from the prior year.

Impact of adjusted misstatements

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account	Balance Sheet	Impact on total net expenditure
1 Our audit testing identified that the Council had recognised income in the Comprehensive Income and Expenditure Statement (CIES) in relation to a corporate recharge where the Housing Revenue Account was making a contribution towards General Fund overheads. Whilst we agreed that the recharge was reasonable, the impact of recharges should be excluded from the CIES on the basis that it does not reflect true income and expenditure of the Authority.	Gross Income and Gross Expenditure are overstated by £256K. This has no impact on the Net Cost of Services.	£Nil	£Nil
Overall impact	£Nil	£Nil	£Nil

Misclassifications and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Adjustment type	Value	Account balance	Impact on the financial statements
1 Disclosure	£3,760,000	Leases – Minimum Lease Payments Receivable (Note 16)	Our testing identified that the draft accounts overstated the income due to the Council in future years in respect of assets leased out under the terms of operating leases. The accounts have been amended so that the disclosure of the minimum lease payments receivable reflects the income to which the Council is contractually-entitled after taking account of relevant break clauses in the lease.
2 Misclassification	£48,000	Property Plant and Equipment – Disposals and Derecognitions (Note 13)	Our testing identified that de-recognitions of £48,000 had been disclosed as a disposal in error. This has been corrected in the revised statements.
4 Disclosure	Various	Related Party Transactions (Note 33)	After discussing the CIPFA guidance relating to the disclosure of related party transactions, we agreed with management that three related party transactions had been omitted from the accounts. The revised accounts have been updated to include the required disclosure.

Section 3: Value for Money

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Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council 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.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted that the Council has a good track-record of achieving the necessary savings required to cope with the reduction in central government funding. Historically, the Medium Term Financial Plan has been underpinned by robust and prudent assumptions about future levels of funding, income from fees and charges and service expenditure. However, management need to update the plan to take account of the local finance settlement due later this year. The approach to agreeing the strategy for future financial years has been designed so that stakeholders have the opportunity to contribute.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources; and
- Improving efficiency & productivity

Our work highlighted that the Council has a good understanding of its cost base and the factors which drive those costs. Significant cost reductions have been secured through reducing management costs. Now that these reductions have been achieved, the Council needs to ensure that it has appropriate resources and mechanisms in place to drive forward and monitor the achievement of the objectives set out in the Council's value for money strategy.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015.

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<p>The Council achieved a positive variance on budget of £0.857M, equivalent to 6.8% of the final budget. This is similar to the cost-reductions and additional income realised in the 2013/14 financial year which was £0.974M, after excluding one-off items. Net expenditure on cost of services in 2014/15 was largely unchanged at £7.865M in 2014/15 compared to £7.832M in 2013/14. The Council retains healthy reserve balances and there was limited use of reserves in 2014/15. Total useable reserves reduced from £19.518M to £19.255M and this included a £300K contribution to the General Fund Balance after the Council assessed that a balance of £2.3M was required to provide the necessary coverage for unexpected cost pressures and/or short-term cash-flow issues.</p> <p>The level of sickness absence deteriorated in 2014/15 after an improvement in 2013/14. The average number of days lost to sickness per employee in 2014/15 was 12.32 compared to 10.79 in 2013/14. Management Board receive detailed reports analysing the type of sickness absences recorded. There are monitoring arrangements in place to ensure return-to-work interviews are undertaken. We understand that management have commissioned a review of the Council's approach to sickness absence and the outcome of that review is due to be considered shortly.</p>	Green

Theme	Summary findings	RAG rating
Strategic financial planning	<p>The Council's Medium Term Financial Strategy is a comprehensive document which forecasts the Council's financial position over the coming four-year period. The most recent version of the Strategy was published in March 2015. Officers and members are working together to produce a new version of the strategy which coincides with the four-year political mandate secured by the Councillors elected in May 2015.</p> <p>A significant proportion of the Council's costs relate to external contracts. Management have made detailed assumptions relating to these contracts, including a prudent forecast of the impact of any forthcoming re-tenders. Funds are set aside in the General Fund to mitigate the risk that assumptions relating to contracts prove to be overly optimistic. Similarly, assumptions relating to non-contract expenditure are appropriately supported.</p> <p>Like all local authorities, the Council is awaiting the outcome of the comprehensive spending review which is due to be published in November 2015. The Council has assumed a nominal year-on-year decrease in Revenue Support Grant and retained Non Domestic Rates of around 4% for the period 2015-16 – 2019-20. Management recognise that the actual decreases will probably be greater. Whilst the Council's prudent approach to setting funds aside in reserves in previous years provides some contingency, officers and management will nevertheless need to move quickly to design and implement the savings needed to adjust to any further reductions in government funding.</p> <p>One of the significant uncertainties affecting local authorities concerns their retained income from business rates. This amounts to approximately £3M in income per year which is over 25% of the total income received by the Council to finance revenue expenditure. Since the partial localisation of business rates in 2013/14, local authorities have assumed greater risk as they are dependent on business rates generated in the locality for a significant portion of their income. The Council has sought to mitigate this risk by establishing reserves to smooth the impact of any volatility in business rates. Membership of the business rates pool hosted by Cumbria County Council also enables the Council to retain a greater share of increases in business rates generated locally than would otherwise be the case.</p> <p>Following its election, the Government announced that social housing providers, including local authorities, must reduce their rents in real terms by 1% from 2016/17. Management have assessed that the Housing Revenue Account (HRA) can remain in surplus in the short-term. However, implementing the reduction will nevertheless reduce rental income by around £1M over four-years. Whilst areas for HRA savings have been identified, these policy changes mean these savings plans will need to deliver cost reductions.</p>	Amber

Theme	Summary findings	RAG rating
Financial governance	<p>The Council's Director of Resources has overall responsibility for financial governance within the Council and this officer is the nominated S151 officer. The Director of Resources' portfolio of responsibilities expanded in 2014/15 following the departure of the Deputy Executive Director in August 2014. The Director of Resources and the Executive Director meet regularly with members to ensure that the political leadership and management fully recognise and grasp the Authority's financial position and the associated challenges this presents. The Director of Resources is supported by an experienced finance team, the majority of whom have worked at the Council for several years. Additionally, the Council has a business improvement team which is led by the Corporate Support Manager. Staff working in Business Improvement have recently received project management training and the team are making good progress on two projects assigned to them.</p> <p>The Audit Committee is chaired by an experienced Councillor who has been the Chair for several years. The Committee receive reports on a range of matters relating to financial governance, including reports from Internal Audit and a copy of the strategic risk register. The Audit Committee are also appropriately involved in the production of the Annual Governance Statement and have access to relevant training</p>	Green
Financial control	<p>The Council has robust arrangements in place to monitor its financial performance against budget, seek explanation for variances and take appropriate corrective action. Detailed quarterly reports are taken to meetings of the Executive Committee and plain-English explanations are provided for variance against budget. To date, schemes to deliver savings and/or realise additional income have largely delivered the expected outcomes within a relatively short period of time, i.e by reducing the establishment following a series of voluntary redundancies and by agreeing commercial tenancies for Council-owned properties. Future savings may have a longer lead time and it will be important to ensure that all stakeholders are aware of the progress made on these schemes and the level of savings achieved compared to that projected.</p> <p>The Council's collection rates for council tax and business rates improved slightly in 2014-15 compared to the previous year. 96.8% of all Council Tax due in respect of 2014-15 had been collected by 31 March 2015 and the equivalent figure for business rates was 98.1%. Performance in both areas was consistent with the national average although slightly inferior to the average for district councils nationally.</p>	Green

Theme	Summary findings	RAG rating
Prioritising resources	<p>The Council agreed a budget strategy in January 2012 which pledged to balance the budget over the four years to 31 March 2016 by reducing net expenditure by £5M. Savings of £4M have been achieved through cost reductions with the balance being achieved through generating additional income of £1M. The savings were front-loaded and the Council's organisational structure has evolved as senior staff have vacated their positions. Management overheads borne by Directorates have reduced significantly from £4.6M in 2010/11 prior to the implementation of the strategy to an estimated £2.9M in 2015/16, a reduction of 37%. The Council has sought to maximise the benefits it is able to realise from its property portfolio, investing in upgrades and improvements to the estate where necessary. This has resulted in securing long-term leases with Cumbria County Council and BAE. Front-line services are largely delivered under contract and although the Council had made some changes to these contracts there is no evidence to indicate that the cost reductions sought by the Council have had a negative impact on service delivery. The housing department remains an in-house service and there is evidence of workforce planning to reduce overheads and simplify the delivery of the service.</p>	Green
Improving efficiency & productivity	<p>The Council understands its cost-base and works to understand key cost drivers. Historically, costs have been similar to those of statistically similar authorities and our analysis suggests this remains the case. There is evidence of ongoing work being undertaken to review the Council's approach to service delivery, i.e. within its leisure facilities and through the use of mobile technology by planning officers and street patrols.</p> <p>There are, however, two areas of comparatively high spend. Expenditure on cultural and leisure services is higher than average but this is offset by higher than average income generated in relation to these services. The outsourced housing benefit service is also comparatively high cost, as we have reported in previous years. There is currently limited use of benchmarking information to assist with the identification of further efficiencies. Officers and Members might wish to consider how the Council can seek to learn from other authorities experience as it develops savings plans to be incorporated into the medium term financial strategy.</p>	Green

Section 4: Fees, non-audit services and independence

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Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services.

Fees

	Per Audit plan £	Actual fees £
Council audit	67,259	68,159
Grant certification on behalf of Audit Commission	22,300	18,310
Total audit fees	89,559	86,469

There was an error in our original audit plan concerning the audit fees. The actual fees stated above corrects that error.

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged Details of safeguards applied to threats to independence	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Ensure that staff are only allocated access to the Oracle system which is commensurate with their responsibilities	Medium	A procedure and control sheet has been introduced whereby additional responsibility requests are logged. In emergency situations (usually on advice from the Managed Support provider) this will be authorised retrospectively. Additional responsibilities given will be monitored on a quarterly basis.	Implemented, Financial Services Manager
2	Establish audit logging within the Oracle system so that management can detect instances where users may have made inappropriate use of their access to the system.	Medium	Advice has been sought from the Managed Service provider regarding the effect on system performance from enabling audit-logging. Key areas will be identified and audit-logging implemented accordingly.	November 2015, Financial Services Manager
3	Expand budget monitoring reports to the Executive Committee so that they provide details of the progress made towards achieving the savings agreed as part of the forthcoming budget strategy.	Medium	Once the Budget Strategy is established a separate section within the quarterly finances report will be established to report the achievement of savings and reductions.	July 2016, Director of Resources
4	Produce a comprehensive action plan to address the Council's deteriorating sickness absence and ensure progress against that action plan is appropriately monitored	Medium	The absence management policy and procedure is currently under review by an external consultant with the expectation that the policy changes will come through the consultation and committee during 2015-2016. These will then be rolled out with training for all managers and supervisors early in 2016.	March 2016, HR Manager
5	Consider the use of benchmarking information from comparator organisations to challenge existing ways of working and deliver further savings	Low	The Council will consider the use of benchmarking information after the Budget Strategy is established. Having achieved and sustained a £5m reduction over the last four years, the service review process used in 2010 will take place again to create the Budget Strategy options. The Budget Strategy is owned by Members and reflects their aspirations for the services that the Council can provide into the medium and long term. Once that is established then benchmarking will be considered. The current benchmarking that is carried out is largely around competitor pricing; the reductions in cost have come from policy decisions and not from cost comparators.	July 2016, Management Board

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

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

We have audited the financial statements of Barrow Borough Council for the year ended 31 March 2015 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, the 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 2014/15.

This report is made solely to the members of Barrow Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Director of Resources and auditor

As explained more fully in the Statement of the Director of Resources' Responsibilities, the Director of Resources 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 2014/15, and for being satisfied that they give a true and fair view. Our 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 also require us 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 Director of Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information

in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Barrow Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our 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 we report by exception

We are required to report to you if:

- in our 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; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves 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 us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we 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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, 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 us to consider under the Code of Audit Practice in satisfying ourselves 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 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we 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 our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Barrow Borough Council have put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

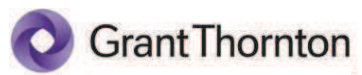
We certify that we have completed the audit of the financial statements of Barrow Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Jackie Bellard

for and on behalf of Grant Thornton UK LLP, Appointed Auditor

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September 2015



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