

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Tuesday, 8th March, 2011
at 2.00 p.m.

A G E N D A

PART ONE

1. To note any items which the Chairman considers to be of an urgent nature.
2. To receive notice from Members who may wish to move any delegated matter non-delegated and which will be decided by a majority of Members present and voting at the meeting.

3. **Admission of Public and Press**

To consider whether the public and press should be excluded from the meeting during consideration of any of the items on the agenda.

4. Disclosure of Interests.

A Member with a personal interest in a matter to be considered at this meeting must either before the matter is discussed or when the interest becomes apparent disclose

1. ***The existence of that interest to the meeting.***
2. ***The nature of the interest.***
3. ***Decide whether they have a prejudicial interest.***

A note on declaring interests at meetings, which incorporates certain other aspects of the Code of Conduct and a pro-forma for completion where interests are disclosed accompanies the agenda and reports for this meeting.

5. To confirm the Minutes of the meeting held on 14th December, 2010 (copy attached).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Audit Commission Reports – Audit Plan 2010-2011 and Certification of Claims and Returns – Annual Report.
- (D) 9. Internal Audit – Progress Report April 2010 to February 2011.

- (D) 10. Internal Audit – Final Reports.
- (D) 11. Internal Audit Plan 2011-2012.
- (D) 12. Risk Management.
- (D) 13. Governance Report.
- (D) 14. Performance Management.

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

Membership of Committee

Councillors Flitcroft (Chairman)
Unwin (Vice-Chairman)
Jefferson
Maddox
Sweeney
C. Thomson

For queries regarding this agenda, please contact:

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BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting: 14th December, 2010
at 2.00 p.m.

PRESENT:- Councillors Flitcroft (Chairman), Garnett, Jefferson, Sweeney and C. Thomson.

Also present were Gina Martlew and Heather Green from the Audit Commission.

21 – The Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985 and Access to Information (Variation) Order 2006

Discussion arising hereon it was

RESOLVED:- That under Section 100A(4) of the Local Government Act, 1972 the public and press be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraph 3 (Minute No. 30) of Part One of Schedule 12A of the said Act.

22 – Minutes

The Minutes of the meeting held on 29th September, 2010 were agreed as a correct record.

23 – Apologies for Absence

Apologies for absence were received from Councillors Maddox and Unwin. Councillor Garnett attended the meeting as a substitute for Councillor Maddox respectively.

24 – International Financial Reporting Standards

A presentation was given by Heather Green from the Audit Commission regarding the International Financial Reporting Standards.

RESOLVED:- To note the presentation.

25 – Audit Commission – Annual Audit Letter for the Year 2009-2010

The Committee considered the Annual Audit Letter 2009/10 produced by the Audit Commission following the completion of their audit for each financial year.

The letter had summarised findings from the 2009/10 audit. The audit had comprised the audit of the financial statements and an assessment of the Council's arrangements to achieve value for money in use of resources.

The Audit Commission had issued an unqualified opinion on the financial statements.

The Audit Commission had identified significant weaknesses in the Council's arrangements for procurement, tendering and contracting and had issued a qualified value for money conclusion. The Council had made proper arrangements for secure economy, efficiency and effectiveness in its use of resources for the year ending 31st March, 2010 except for promoting and demonstrating the principles and values of good governance.

The Council's External Auditor attended the meeting to present the reports to Members.

RESOLVED:- To note the report.

26 – Performance Management

The Policy Review Officer informed the Committee that fifteen priority actions were due to be completed by the end of Quarter 2 2010/11 of which, twelve had been completed. One was subject to delays and was expected to be completed in Q1 2011. Two had not completed because of funding issues.

KP1: Safer, cleaner greener

The Council had changed its waste collection contractor in April and it was anticipated an increase in complaints about the waste collection service as changes in working practices had been introduced. An action was to reduce these complaints to the 2009/10 baseline level by the end of Q1. That had been achieved and the Council were currently receiving less than twenty complaints per week.

There was an action to expand the capacity of recycling bring sites and increase the number of schools that were recycling waste. That had been achieved and the Council were now recycling from most of the schools in the Borough. There was an action to expand re-cycling to low rise flats in the Borough and at the end of Q1 an additional 1000 flats had received kerbside collection of recyclates.

There was an action to implement grass cutting for Bigger Bank and that had been implemented.

KP 2: Meeting the housing needs of the Borough

The development of the frail and elderly scheme in Holker Street had been completed.

The development of additional houses on Greengate Street had been completed.

The action to progress demolition of 126 properties in the North Central renewal area had started.

The action to undertake external improvements to properties in sub area D had commenced.

KP 4: Support economic regeneration

The refurbishment of 104 Abbey Road had been delayed and was anticipated to be completed in Q1 2011.

The refurbishment of the Mall had been completed.

The refurbishment of Furness House had been completed.

The action to commence Phase 2 of Waterside House development had been cancelled although some work would be carried to improve access.

The action to secure headline funding for Waterfront Barrow had not been completed. The NWDA had stated that they would not be funding the project and an alternative source of funding was being sourced.

KP 5: Improve the effectiveness and efficiency of our Council

Eight members of staff who drive a significant number of miles to carry out their jobs had passed a smart driving course to help reduce CO2 emissions.

KP6: Expand facilities and activities for young people

The Lakes alive spectacular had taken place although the estimated attendance was 6,000 against a target of 8,000.

The action to deliver the Zircus Plus event had been completed.

The risks associated with delivering the Key Priorities were considered by the Committee but these had been subject to review by Management Board on 10th November.

Performance Indicators

The Policy Review Officer reported that there were a number of national indicators and local indicators where it was appropriate to report data on a quarterly basis.

The Collection of Council Tax and National Non Domestic Tax had both improved;

The average number of day's sickness absence per member of staff was higher than at the same stage last year;

There had been a decrease in the number of violent crimes;

There had been an increase in the number of acquisitive crimes including households' burglaries and robberies;

There had been a marginal increase in the number incidences of racial violence and no incidences of racial damage; and

There had been a marginal decline in the standard of cleanliness due to graffiti but that was based on a small number of incidences.

RESOLVED:- (i) To note the information; and

(ii) To request the Borough Treasurer to raise at Management Board the issue of what Performance Management data should be reported to every Committee.

27 – Risk Management

The Policy Review Officer reported that the Council's risk register had been reviewed on a regular basis by Management Board. At its last meeting in November, Management Board had agreed to increase the likelihood for Risk 6: Council fails to achieve recycling targets because the current level of recycling was 39% and the Council were anticipating a decline in green waste during the winter months.

The most recent version of the risk register; November 2010 was considered by the Committee. The Committee in particular referred to Item 2 in the Risk Register and commented that the mitigating action was not going to improve youth unemployment.

RESOLVED:- (i) To note the report;

(ii) To request the Director of Regeneration and Community Services to liaise with local agencies to look at improving youth unemployment; and

(iii) To agree that an additional meeting be arranged after discussion with Management Board regarding the adequacy of the risks.

28 – Internal Audit – Final Reports

The Borough Treasurer reported that Internal Audit had completed a number of audits in accordance with the approved annual programme. On completion, final reports were presented to this Committee for consideration.

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

The three final reports were considered by the Committee. Assurance levels for these reports were two Substantial and one Restricted Assurance. The reports included:-

1. Income Collection;
2. External Fabric Repairs 104 Abbey Road; and
3. Construction of Holker Street Car Park;

RESOLVED:- That the information be noted.

29 – Internal Audit – Progress Report April to December 2010

The Borough Treasurer submitted a report stating that the Committee would receive regular progress reports on the programme of work carried out by the Internal Audit Service. The report related to the period April to December 2010.

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

The report contained a statistical summary of the total number of recommendations (39). It was noted that 38 had been fully accepted. Each of the recommendations had been assigned a Priority graded 1-3; 1 being major issues and 3 being minor issues. A breakdown of restricted assurance audits had been appended to the report.

The Committee considered a list of draft reports issued which were awaiting Management response. Three of the draft reports had been received.

RESOLVED:- To note the report.

30 – Internal Audit – Final Report – Residual Waste Probity

The Borough Treasurer informed the Committee that Internal Audit had completed an audit in accordance with the approved annual programme. On completion, final reports were presented to this Committee for consideration.

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

The Residual Waste Probity report was considered by the Committee. The Assurance level for the report was Restrictive.

RESOLVED:- (i) To note the report; and

(ii) To request a further report be submitted to a future meeting.

REFERRED ITEM

THE FOLLOWING MATTER WAS REFERRED TO COUNCIL FOR DECISION
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31 – Review of Contract Standing Orders, Financial Regulations, Purchasing Guide and Procurement Policy

The Borough Treasurer informed the Committee that the Contract Standing Orders had been reviewed following a recent report by the Audit Commission. A decision had been made to rewrite these orders in full to reflect current practice and to bring them up to date.

Financial Regulations were required to be reviewed regularly to keep them relevant and current.

A new Purchasing Guide would be used to cover any purchases outside the provisions of the Contract Standing Orders.

The Procurement Policy had also been reviewed and it had been concluded that the provisions of the policy be incorporated into the Financial Regulations and Contract Standing Orders rather than maintaining a separate policy document.

RECOMMENDED:- To recommend the Council:-

- (i) To adopt the new Contract Standing Orders and incorporate them into the Constitution;
- (ii) To adopt the amended Financial Regulations and incorporate them into the Constitution;
- (iii) To note the Purchasing Guide and agree that it could be reviewed and amended by the Borough Treasurer when required; and
- (iv) To revoke the current Procurement Policy.

The meeting closed at 3.50 p.m.

		Part One
AUDIT COMMITTEE		(D) Agenda Item 8
Date of Meeting:	8th March, 2011	
Reporting Officer:	Borough Treasurer	
<p>Title: Audit Commission Reports – Audit Plan 2010-2011 and Certification of Claims and Returns – Annual Report</p> <p>Summary and Conclusions:</p> <p>The Audit Commission produced two reports: (1) Audit Plan 2010-2011 and (2) Certification of claims and returns – annual report.</p> <p>The Council’s External Auditors will attend the meeting to present the reports to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive and note the reports.</p>		

Report

The Audit Commission reports, Audit Plan 2010-2011 and Certification of claims and returns – annual report are attached at **Appendices 1 and 2.**

(i) Legal Implications

Not Applicable.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

Audit plan

Barrow-in-Furness Borough Council

Audit 2010/11

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Introduction

This plan sets out the audit work that I propose to undertake for the audit of financial statements and the value for money conclusion for 2010/11.

1 The plan is based on the Audit Commission's risk-based approach to audit planning. It reflects:

- audit work specified by the Audit Commission for 2010/11;
- current national risks relevant to your local circumstances; and
- your local risks.

Responsibilities

The Audit Commission's Statement of Responsibilities of Auditors and of Audited Bodies sets out the respective responsibilities of the auditor and the audited body. The Audit Commission has issued a copy of the Statement to every audited body.

2 The Statement summarises where the different responsibilities of auditors and of the audited body begin and end and I undertake my audit work to meet these responsibilities.

3 I comply with the statutory requirements governing our audit work, in particular:

- the Audit Commission Act 1998; and
- the Code of Audit Practice.

Fee for the audit

The fee for the 2010/11 audit is £118,000, as indicated in my letter of 28 April 2010.

4 The Audit Commission scale fee for Barrow-in-Furness Borough Council is £109,150. The fee proposed for 2010/11 (£118,000) is 8 per cent above the scale fee and is within the normal level of variation specified by the Commission. The fee for the 2009/10 audit was originally £112,580 but this was increased to £135,580 as I undertook significant extra work during the 2009/10 audit to consider weaknesses and concerns about your tendering and contracting arrangements.

5 The Audit Commission's scale fees for 2010/11 were increased by 6 per cent to reflect the additional work required as a result of the introduction of IFRS. However the Audit Commission recognised the financial pressures faced by audited bodies and refunded the transitional costs. The Council received a refund of £6,422 in April 2010.

6 In setting the fee, I have assumed that:

- the level of risk in relation to the audit of accounts is not significantly different than that for 2009/10;
- good quality, accurate working papers are available at the start of the financial statements audit;
- the Council will supply good quality working papers to support the restatement of 2009/10 balances to comply with International Financial Reporting Standards (IFRS); and
- Internal Audit undertakes appropriate work on systems and this is available for our review by 30 April 2011.

7 Where these assumptions are not met, I will be required to undertake additional work which is likely to result in an increased audit fee. Where this is the case, I will discuss this first with the Borough Treasurer and I will issue supplements to the plan to record any revisions to the risk and the impact on the fee.

8 The Commission wrote to all audited bodies on 9 August 2010 about its proposed new arrangements for local value for money audit work. This indicated the impact on audit fees for 2010/11 would be considered as part of the Commission's consultation on its work programme and scales of fees for 2011/12, planned for September 2010. The Secretary of State's announcement on the government's intention to abolish the Commission delayed consultation until December 2010. The consultation ends 7 January 2011 and the impact on 2010/11 and 2011/12 fees should be known by the end of February 2011.

Auditors report on the financial statements

I will carry out the audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board (APB).

9 I am required to issue an audit report giving my opinion on whether the accounts give a true and fair view of the financial position of the Council as at 31 March 2011.

Materiality

10 I will apply the concept of materiality in both planning and performing the audit, in evaluating the effect of any identified misstatements, and in forming my opinion.

Identifying opinion audit risks

11 I need to understand the Council in order to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. I do this by:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering the financial performance of the Council;
- assessing internal control – including reviewing the control environment, the IT control environment and Internal Audit; and
- assessing the risk of material misstatement arising from the activities and controls within the Council's information systems.

Identification of audit risks

I have considered the additional risks that are appropriate to the current opinion audit and have set these out below.

Table 1: **Audit risks**

Risk area	Audit response
<p>Risk of error arising from the preparation of accounts under new International Financial Reporting Standards (IFRS). Specifically.</p> <ul style="list-style-type: none">■ The Council has outsourced a significant number of services and has service contracts in place for a wide range of services. These arrangements may contain leases or lease arrangements that should be accounted for under IFRIC4. There is a risk that the accounts will be materially misstated due to non-disclosure or incorrect accounting for lease arrangements that fall within the scope of IFRIC4.■ The Council has influence and may have control in a number of partner organisations. Under the broader scope of IFRS the Council may need to prepare Group Accounts for one or more these arrangements. There is a risk that this requirement will not be identified resulting in material misstatement of the accounts due to the incorrect exclusion of group accounts.	<p>I will discuss the Council's approach to reviewing lease arrangements and identifying potential group accounts with the Borough Treasurer and Deputy Borough Treasurer as part of my audit planning process.</p> <p>I will review the Council's restatement of the 2009/10 accounts under IFRS in March 2011. I will discuss any issues arising from this review with the Borough Treasurer and Deputy Borough Treasurer before the 2010/11 accounts are produced.</p>
<p>The Council has involvement with a significant number of outside bodies including partnership organisations in the Barrow area. In 2009/10 I identified that the related party disclosures in the accounts were incomplete. There is a risk that related party disclosures in the 2010/11 accounts are incomplete.</p>	<p>I will review the Council's arrangements for ensuring that all related party transactions are identified and included in the financial statements.</p>

Risk area	Audit response
<p>The Accounts have not historically included disclosure of the purpose of the earmarked reserves as required by the Statement of Recommended Practice. There is a risk that the disclosures in the 2010/11 accounts do not comply with the guidance notes for the new Local Authority Accounting Code of Practice.</p>	<p>My audit testing will consider whether the Council's accounts are compliant with the disclosure requirements of the new Local Authority Accounting Code of Practice.</p>

Testing strategy

On the basis of risks identified above I will produce a testing strategy which will consist of testing key controls and/or substantive tests of transaction streams and material account balances at year-end.

12 I can carry out the testing both before and after the draft financial statements have been produced (pre- and post-statement testing).

13 Wherever possible, I will complete some substantive testing earlier in the year, and before the financial statements are available for audit. I have identified the following areas where substantive testing could be carried out early.

- Restated 2009/10 accounts under IFRS.
- Review of accounting policies.
- Bank reconciliation.
- Pensions contributions.
- Investments and fixed assets – ownership.
- Year-end feeder system reconciliations.
- Journals.
- Existence of assets.
- Verification of loans outstanding.

14 Where I identify other possible early testing, I will discuss it with officers.

15 Wherever possible, I will seek to rely on the work of Internal Audit to help meet my responsibilities. For 2010/11, I expect to be able to use the results of the following pieces of work.

- Internal Audit's annual report to support the Annual Governance Statement.
- Other detailed testing of material financial systems.

16 I will also seek to rely on the work of other auditors and experts, as appropriate, to meet my responsibilities. For 2010/11, I plan to rely on the work of experts in the following areas.

- Norfolk Property Services for the Council's land and buildings.
- Actuarial advice regarding pensions costs.

Value for money conclusion

I am required to give a statutory VFM conclusion on the Council's arrangements to secure economy, efficiency and effectiveness.

17 For 2010/11, the Audit Commission has reviewed the approach to Value for Money work. This year, my conclusion will be based on two criteria, specified by the Commission, related to your arrangements for:

- securing financial resilience – focusing on whether the Council is managing its financial risks to secure a stable financial position for the foreseeable future; and
- challenging how the Council secures economy, efficiency and effectiveness – focusing on whether the Council is prioritising its resources within tighter budgets and improving productivity and efficiency.

18 I will undertake a risk assessment of the Council's arrangements and will consider then any further VFM audit work needed to support my conclusion. I will discuss with officers and report back to Audit Committee on any risks I identify.

19 My value for money conclusion for 2009/10 was qualified because I identified significant weaknesses in the Council's arrangements for procurement, tendering and contracting. These weaknesses suggest poor governance arrangements for tendering and contracting, and expose the Council to potentially significant risks, including the risk the Council may not be able to show that its tendering and procurement processes are compliant with all laws and regulations.

20 As part of my work to support the value for money conclusion in 2010/11 I will consider whether the Council has addressed the weaknesses that resulted in the qualification.

Key milestones and deadlines

The Council is required to prepare the financial statements by 30 June 2011. I am required to complete the audit and issue my opinion and value for money conclusion by 30 September 2011.

21 The key stages in producing and auditing the financial statements are in Table 2.

22 I will agree with you a schedule of working papers required to support the entries in the financial statements. The agreed fee is dependent on the timely receipt of accurate working papers.

23 Every week, during the audit, the audit team will meet with the Deputy Borough Treasurer to discuss issues arising from our work and to review the status of all queries. I can arrange meetings at a different frequency depending on the need and the number of issues arising.

Table 2: **Proposed timetable**

Activity	Date
Controls and early substantive testing	February to March 2011
Receipt of accounts	June 2011 – Date to be agreed.
Sending working papers to the auditor	June 2011 – Date to be agreed.
Start of detailed testing	July 2011 – Date to be agreed.
Progress meetings	Weekly
Present report to those charged with governance at the audit committee	September 2011 – Date to be confirmed.
Issue opinion and value for money conclusion	By 30 September 2011
Issue assurance statement on the Whole of Government Accounts return	By 1 October 2011

The audit team

Table 3 shows the key members of the audit team for the 2010/11 audit.

Table 3: **Audit team**

Name	Contact details	Responsibilities
Gina Martlew Senior Audit Manager	g-martlew@audit-commission.gov.uk 0844 798 4759	Responsible for the overall delivery of the audit including the quality of outputs, signing the opinion and conclusion, and liaison with the Chief Executive and Borough Treasurer.
Heather Green Audit Manager	h-green@audit-commission.gov.uk 0844 798 7087	Manages and coordinates the different elements of the audit work. Key point of contact for the Borough Treasurer and Deputy Borough Treasurer.

Independence and objectivity

24 I am not aware of any relationships that may affect the independence and objectivity of the members of the audit team, which I am required by auditing and ethical standards to communicate to you.

25 I comply with the ethical standards issued by the APB and with the Commission's requirements in respect of independence and objectivity as summarised in Appendix 1.

Meetings

26 The audit team will ensure we have knowledge of your issues to inform our risk-based audit through regular liaison with key officers. Our proposals are set out in Appendix 2.

Quality of service

27 I aim to provide you with a fully satisfactory audit service. If you have any concerns about the level of service, please raise them with me. If, however, you are unable to deal with any difficulty through me and my team please contact Chris Westwood, Director of Professional Practice, Audit Practice, Audit Commission, 1st Floor, Millbank Tower, Millbank, London SW1P 4HQ (c-westwood@audit-commission.gov.uk) who will look into any matters promptly to resolve the position.

28 If you are still not satisfied, you may of course take up the matter with the Audit Commission's Complaints Investigation Officer (The Audit Commission, Westward House, Lime Kiln Close, Stoke Gifford, Bristol BS34 8SR).

Planned outputs

29 My team will discuss and agree reports with the right officers before issuing them to the Audit and Assurance Committee.

Table 4: **Planned outputs**

Planned output	Indicative date
Memorandum of issues arising from interim audit work	June 2011
Annual governance report	September 2011
Auditor's report giving an opinion on the financial statements	30 September 2011
Final accounts memorandum	November 2011
Annual audit letter	November 2011

Appendix 1 Independence and objectivity

Auditors appointed by the Audit Commission are required to comply with the Commission's Code of Audit Practice and Standing Guidance for Auditors, which defines the terms of the appointment. When auditing the financial statements, auditors are also required to comply with auditing standards and ethical standards issued by the Auditing Practices Board (APB).

The main requirements of the Code of Audit Practice, Standing Guidance for Auditors and the standards are summarised below.

International Standard on Auditing (UK and Ireland) 260 (Communication of audit matters with those charged with governance) requires that the appointed auditor:

- discloses in writing all relationships that may bear on the auditor's objectivity and independence, the related safeguards put in place to protect against these threats and the total amount of fee that the auditor has charged the client; and
- confirms in writing that the APB's ethical standards are complied with and that, in the auditor's professional judgement, they are independent and their objectivity is not compromised.

The standard defines 'those charged with governance' as 'those persons entrusted with the supervision, control and direction of an entity'. In your case, the appropriate addressee of communications from the auditor to those charged with governance is the Audit and Assurance Committee. The auditor reserves the right, however, to communicate directly with the Council on matters which are considered to be of sufficient importance.

The Commission's Code of Audit Practice has an overriding general requirement that appointed auditors carry out their work independently and objectively, and ensure that they do not act in any way that might give rise to, or could reasonably be perceived to give rise to, a conflict of interest. In particular, appointed auditors and their staff should avoid entering into any official, professional or personal relationships which may, or could reasonably be perceived to, cause them inappropriately or unjustifiably to limit the scope, extent or rigour of their work or impair the objectivity of their judgement.

The Standing Guidance for Auditors includes a number of specific rules.

The key rules relevant to this audit appointment are as follows.

- Appointed auditors should not perform additional work for an audited body (ie work over and above the minimum required to meet their statutory responsibilities) if it would compromise their independence or might give rise to a reasonable perception that their independence could be compromised. Where the audited body invites the auditor to carry out risk-based work in a particular area that cannot otherwise be justified as necessary to support the auditor's opinion and conclusions, it should be clearly differentiated within the Audit and Inspection Plan as being 'additional work' and charged for separately from the normal audit fee.
- Auditors should not accept engagements that involve commenting on the performance of other auditors appointed by the Commission on Commission work without first consulting the Commission.
- The District Auditor responsible for the audit should, in all but the most exceptional circumstances, be changed at least once every seven years, with additional safeguards in the last two years.
- The District Auditor and senior members of the audit team are prevented from taking part in political activity on behalf of a political party, or special interest group, whose activities relate directly to the functions of local government or NHS bodies in general, or to a particular local government or NHS body.

The District Auditor and members of the audit team must abide by the Commission's policy on gifts, hospitality and entertainment.

Appendix 2 Working together

Meetings

The audit team will ensure we have knowledge of your issues to inform our risk-based audit through regular liaison with key officers.

My proposal for the meetings is as follows.

Table 5: **Proposed meetings with officers**

Council officers	Audit Commission staff	Timing	Purpose
Chief Executive and Borough Treasurer	Senior Audit Manager and Audit Manager	Quarterly	General update.
Borough Treasurer and Deputy Borough Treasurer	Audit Manager and Team Leader (during interim and final accounts visits)	Monthly Every week during the final accounts audit	Update and discussion of audit risks and action needed. General update on current accounting issues.
Audit Committee	Senior Audit Manager and Audit Manager	As determined by the Committee	Formal reporting of: <ul style="list-style-type: none">■ Audit Plan;■ Annual governance report; and■ other issues as appropriate.

Sustainability

The Audit Commission is committed to promoting sustainability in our working practices and I will actively consider opportunities to reduce our impact on the environment. This will include:

- reducing paper flow by encouraging you to submit documentation and working papers electronically;
- use of video and telephone conferencing for meetings as appropriate; and
- reducing travel.

Appendix 3 Glossary

Annual audit letter

Report issued by the auditor to an audited body that summarises the audit work carried out in the period, auditors' opinions or conclusions (where appropriate) and significant issues arising from auditors' work.

Audit of the accounts

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

Audited body

An organisation to which the Audit Commission is responsible for appointing the external auditor, comprising both the members of the body and its management (the senior officers of the body). Those charged with governance are the members of the audited body. (See also 'Members' and 'Those charged with governance'.)

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and other 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, which contain basic principles and essential procedures with which auditors are required to 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.

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 that apply to the conduct of audits and with which auditors are required to comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts or accounting statements that audited bodies are required to prepare, which summarise the accounts of the audited body, in accordance with regulations and proper practices in relation to accounts.

Internal control

The whole system of controls, financial and otherwise, that is established in order to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality (and significance)

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 in relation to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, in addition to their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

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 in relation to the financial statements.

Significance has both qualitative and quantitative aspects.

Members

The elected, or appointed, members of local government bodies who are responsible for the overall direction and control of the audited body. (See also ‘Those charged with governance’ and ‘Audited body’.)

Annual Governance Statement

Local government bodies are required to publish an Annual Governance Statement (AGS) with their financial statements. The disclosures in the AGS are supported and evidenced by the body's assurance framework. At local authorities the Annual Governance Statement and is prepared in accordance with guidance issued by CIPFA.

Those charged with governance

Those charged with governance are defined in auditing standards as 'those persons entrusted with the supervision, control and direction of an entity'.

In local government bodies, those charged with governance, for the purpose of complying with auditing standards, are:

- for local authorities – the full council, audit and assurance committee or any other committee with delegated responsibility for approval of the financial statements.

Audit committees are not mandatory for local government bodies, other than police authorities and local probation trusts. Other bodies are expected to put in place proper arrangements to allow those charged with governance to discuss audit matters with both internal and external auditors. Auditors should satisfy themselves that these matters, and auditors' reports, are considered at the level within the audited body that they consider to be most appropriate.

Whole of Government Accounts

The Whole of Government Accounts initiative is to produce a set of consolidated financial accounts for the entire UK public sector on commercial accounting principles. Local government bodies are required to submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, their statutory accounts.

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- any director/member or officer in their individual capacity; or
- any third party.



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Certification of claims and returns - annual report

Barrow in Furness Borough Council

Audit 2009/10

The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Summary

Funding from government grant-paying departments is an important income stream for the Council. The Council needs to manage claiming this income carefully. It needs to demonstrate to the auditors that it has met the conditions which attach to these grants. This report summarises the findings from the certification of 2009/10 claims. It includes the messages arising from my assessment of your arrangements for preparing claims and returns and information on claims that we amended or qualified.

Certification of claims

1 Barrow-in-Furness Borough Council receives more than £27 million funding from various grant paying departments. The Council is also responsible for collecting Non Domestic Rates of more than £19 million. The grant paying and collecting departments attach conditions to these grants and returns. The Council must show that it has met these conditions. If the Council cannot evidence this, the funding can be at risk. It is therefore important that the Council manages certification work properly and can demonstrate to us, as auditors, that the relevant conditions have been met.

2 In 2009/10, my audit team certified seven claims with a total value of over £46 million. Of these, we carried out a limited review of three claims and a full review of four claims. (Paragraph 10 explains the difference.) We amended two claims, and for three claims, we were unable to fully certify the claim and issued a qualification letter to the grant-paying body. Appendix 1 sets out a full summary.

3 The fees I charged for grant certification work in 2009/10 were £22,098. In 2009/10 we were able to place reliance on work undertaken by Internal Audit on the Housing Benefits claim. This has resulted in a significant reduction in fees from 2008/09 (£35,678).

Significant findings

4 We did not find any areas of concern in the way in which most of the claims and returns are prepared. All claims and returns were received in time with adequate supporting working papers.

5 We did find errors in the Housing Benefit and Council Tax Benefit Subsidy Claim. Errors in this claim can result in a reduction to the subsidy paid to the Council. The Council must ensure that the Benefits service contract is managed effectively to reduce the occurrence and impact of such errors.

Certification fees

6 Our assessment of the control environment has allowed us to reduce testing of the Non Domestic Rates return. In addition, Internal Audit have undertaken testing on the Housing Benefits claim and we have been able to review and place reliance on this work. This helps to reduce our fees.

Background

7 The Council claims more than £27 million for specific activities from grant paying departments. The Council is also responsible for collecting Non Domestic Rates for the government of more than £19 million. As this is significant to the Council's income it is important that this process is properly managed. In particular this means:

- an adequate control environment over each claim and return; and
- ensuring that the Council can evidence that it has met the conditions attached to each claim.

8 I am required by section 28 of the Audit Commission Act 1998 to certify some claims and returns for grants or subsidies paid by the government departments and public bodies to Barrow-in-Furness Borough Council. I charge a fee to cover the full cost of certifying claims. The fee depends on the amount of work required to certify each claim or return.

9 The Council is responsible for compiling grant claims and returns in accordance with the requirements and timescale set by the grant paying departments.

10 The key features of the current arrangements are as follows.

- For claims and returns below £125,000 the Commission does not make certification arrangements.
- For claims and returns between £125,000 and £500,000, auditors undertake limited tests to agree form entries to underlying records, but do not undertake any testing of eligibility of expenditure.
- For claims and returns over £500,000 auditors assess the control environment for the preparation of the claim or return to decide whether or not they can place reliance on it. Where reliance is placed on the control environment, auditors undertake limited tests to agree from entries to underlying records but do not undertake any testing of the eligibility of expenditure or data. Where reliance cannot be placed on the control environment, auditors undertake all of the tests in the certification instruction and use their assessment of the control environment to inform decisions on the level of testing required. This means that the audit fees for certification work are reduced if the control environment is strong.
- For claims spanning over more than one year, the financial limits above relate to the amount claimed over the entire life of the claim and testing is applied accordingly.
- The approach impacts on the amount of grants work we carry out, placing more emphasis on the high value claims.

Findings

Control environment

11 We relied on the control environment for our work on the NNDR claim. The agreed processes do not allow us to rely on the control environment in certifying the Housing Benefit claim.

12 We did not rely on the control environment for the NWDA Single Programme grant for the Link Road Phase 2 because of concerns about the Council's tendering and contracting arrangements. These issues were dealt with in our Annual Governance Report and are not repeated here.

13 We did not rely on the control environment for the HRA subsidy or HRA base data return because the staff responsible for preparing these returns had changed from the previous year and this increased the risk of error.

Specific claims

14 For claims with significant amendments or significant qualification I set out below the key findings and actions necessary to improve future performance.

Housing Benefits

15 For this claim we test an initial sample of claimant cases for each of the four types of benefit. This initial testing was undertaken by Internal Audit. Where errors are identified in the initial sample, testing of an additional sample of 40 cases is required for each area where errors are identified. Errors in the initial sample of cases meant that additional testing was required on four areas. This additional testing was undertaken by Internal Audit.

16 We issued a qualification letter on the Housing and Council Tax Benefit Subsidy Claim form because of errors in the initial sample and additional testing of claimant cases. These errors included the following.

- Testing of rent allowance expenditure and council tax benefit expenditure identified 7 cases where there were errors in the benefit assessment resulting in an overpayment of benefit. The Council can only claim full subsidy on overpayments that are the result of local authority error up to a specified threshold. The level of local authority error overpayments at Barrow is currently below the threshold but there is risk of loss to the Council if the value of local authority error increases. The Council should ensure that it has adequate processes in place to minimise error in benefit assessments because of local authority error.

- Testing of rent allowance expenditure identified 5 cases where there were errors in the assessment of student income resulting in overpayment of benefit. The full impact of these errors could not be determined by the Authority due to the complex nature of these cases. The Council should ensure that adequate quality assurance processes are in place for complex cases such as student income, to minimise the risk of such errors.
- Testing of rent allowance expenditure, rent rebate expenditure and council tax benefit identified 4 cases where there were errors in the benefit assessment resulting in an underpayment of benefit to the claimants. These errors do not have a financial consequence for the Council and have been corrected in the 2010/11 financial year. The Council should ensure that adequate quality assurance processes are in place to check that benefit is being awarded correctly.

Recommendation

R1 Ensure that adequate quality assurance processes are in place to minimise the occurrence of error in claimant benefit assessments.

Appendix 1 Summary of 2009/10 certified claims

Table 1: **Claims and returns above £500,000**

Claim	Value £	Adequate control environment	Amended	Qualification letter
Housing and Council Tax Benefit Subsidy	£24,976,141	N/A	Yes	Yes
National Non Domestic Rates return	£19,501,414	Yes	Yes	No
NWDA Single Programme – Link Road Phase 2	£1,754,846	No	No	No
HRA subsidy base data return	N/A (Data Return)	No	Yes	Yes
HRA subsidy	-£141,781 ⁱ	No	Yes	No

Table 2: **Claims between £125,000 and £500,000**

Claim	Value £	Amended	Qualification letter
NWDA Single Programme – Task Force Furness House	£210,938	No	No
Pooling of Housing Capital Receipts	£245,497	No	Yes

ⁱ This is the net amount payable to the Department. The claim includes a number of high value entries.

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- any third party.



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AUDIT COMMITTEE		Part One (D) Agenda Item 9
Date of Meeting: 8th March, 2011		
Reporting Officer: Borough Treasurer		
<p>Title: Internal Audit – Progress Report April 2010 to February 2011</p> <p>Summary and Conclusions:</p> <p>The Committee will receive regular progress reports on the programme of work carried out by the Internal Audit Service. The attached report relates to the period April 2010 to February 2011.</p> <p>The Council's Internal Audit Manager will attend the meeting to present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive and consider the report; and 2. Raise any questions or concerns with the Internal Audit Manager. 		

Report

The Internal Audit progress report is attached at **Appendix 3**.

(i) **Legal Implications**

Statutory requirements under Section 151 and the Accounts and Audit Regulations 2006.

(ii) **Financial Implications**

Not Applicable.

(iii) **Health and Safety Implications**

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

FURNESS AUDIT

BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to February

2010/11

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EXECUTIVE SUMMARY

Purpose

The purpose of the report is to update Members of the Council's Audit Committee on:

- Internal Audit work performed up to 28th February 2011, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1st April 2010 and 28th February 2011. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

This schedule provides details of all major recommendations which have been accepted by management.

3. *Rejected Recommendations*

This schedule provides details of major and significant (i.e. Priority 1 and Priority 2) recommendations, which have been rejected by Council Management.

4. *Audit Coverage*

Details of audit assignments carried out in the period, including any checks on external partner organisations.

5. *Classifications of Assurance and Recommendations*

An explanation of the classifications used for prioritising recommendations and assessing levels of assurance.

1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we made in our final reports issued up to 28th February 2011; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	73	2	50	21
Fully Accepted	72	2	49	21
Partly Accepted	0	0	0	0
Not Accepted	1	0	1	0

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

There have been no priority one recommendations since the previous Audit Committee.

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

There have been no rejected priority one recommendations during the reporting period.

3.2 PRIORITY TWO RECOMMENDATIONS

One priority two recommendation has been rejected within the reporting period. The recommendation has been reported previously to Audit Committee and has not therefore been repeated within this report.

4. INTERNAL AUDIT COVERAGE: APR-FEB 2011

Audit Assignment	System Significance Band	Status	Assurance
ANNUAL AUDITS			
Income Collection	1	Final	Substantial
Housing and Council Tax Benefits	1	Draft	Substantial
Council Tax	1	Final	Substantial
Performance Management	1	Replaced with additional contract audit	
Business Rates (NNDR)	1	Final	Substantial
Risk Management	1	Replaced with review of Citizens Advice Bureau	
Financial Information System	1	Fieldwork commenced	-
Budgetary Control	2	Draft	Substantial
Treasury Management	2	Fieldwork commenced	-
Car Park Meter Income	2	Final	Substantial
Payroll	2	Final	Substantial
Accounts Receivable	2	Initial Draft	Substantial
Corporate Control/Governance	2	Ongoing	-
Periodic Checks	2	Ongoing	-
Procurement (inc. Ordering)	2	Fieldwork Complete	-
Accounts Payable	2	Draft	Substantial
Housing Rents	2	Fieldwork complete	-
Standing Orders and Financial Regulations	2	Complete	n/a
Housing Maintenance (Day to day repairs)	2	Replaced with additional contract audit	

Audit Assignment	System Significance Band	Status	Assurance
RISK ASSESSED SYSTEMS			
Licensing	3	Final	Substantial
Housing Strategy	3	Cancelled replaced with additional Standing Orders, Financial Regs & Procurement Policy review	
Catering Contract	3	Initial Final	Restricted
Waste Management (Residual Waste Probity Review)	4	Final	Restricted
Refuse & Recycling Collection	4	Complete	n/a
Non Routine Public Buildings Maintenance	4	Final	Substantial
DESIGNATED ANNUAL AUDIT ACTIVITY			
Receipt Book Checks	-	Fieldwork Complete	-
Petty Cash/Floats Spot Checks	-	Complete	-
Annual Accounts Working Paper Review	-	Complete	-
<i>Other Projects</i>			
Probity – Better Regulation Project (CIEP/NWIEP)	-	Complete	-
New Burdens Grant Determination	-	Complete	-
Landlord Grant Investigation	-	Complete	-
<i>Community Organisations (inc. Mayor's Account)</i>			
Hawcoat	-	Complete	-
Abbotsvale	-	Complete	-
Dalton Community Association	-	Complete	-
Roosegate	-	Complete	-
Barrow Playing Fields Users Association	-	Complete	-

Audit Assignment	System Significance Band	Status	Assurance
Mayors Account	-	Complete	-
<i>Funding Checks/Grant Claims</i>			
Ramsden Business Park Final Grant Claim	-	Complete	-
Marina Village Land Acquisition Final Grant Claim	-	Complete	-
Inspiring Communities Final Grant Claim	-	Complete	-
Emlyn Street Car Park Final Grant Claim	-	Complete	-
Review of Citizens Advice Bureau	-	Fieldwork Commenced	-
Furness Enterprise	-	Complete	-
Fraud Hotline	-	Ongoing	-
NFI Responsibilities	-	Ongoing	-
IT ENVIRONMENT AUDITS	1		
General Controls Review of Report IT 42		Final	Restricted
Internet Access & Security	-	Fieldwork ongoing	-
CONTRACT AUDIT	1		
Construction of Link Road Phase 2 Cornmill Crossing	-	Draft	Restricted
Partial Demolition of a 'Darlington' Steel Portal Framed warehouse & re establishing Structure etc	-	Draft	Restricted
Barrow Town Centre Public Realm Scheme Phase 2	-	Fieldwork ongoing	-
Heating, Ventilation and Air Conditioning Service Contract	-	Initial Draft	Substantial
Contract Project Control Sheet Implementation	-	Complete	-

Audit Assignment	System Significance Band	Status	Assurance
Finalisation of four contract audits listed on page 10	-	Complete	-
AUDIT MANAGEMENT			
<i>Implementation Review</i>			
Data Protection (Client Aware System)	-	Complete	-
Implementation of the Data Protection Act	-	Complete	-
Void Management	-	Complete	-
Development Control	-	Complete	-
Insurance	-	Complete	-
Park Leisure Centre	-	Complete	-
Streetcare	-	Complete	-
Grounds Maintenance	-	Complete	-
Probity	-	Ongoing	-
ADDITIONAL CONTRACTED WORK			
Benefit Certification including additional testing	-	Complete	-

Audit Assignment	System Significance Band	Status	Assurance
CONTINGENCY <i>(Previous year draft and final reports issued during period)</i>			
Housing and Council Tax Benefits	1	Final	Substantial
Financial Information System	1	Final	Substantial
Alterations to the Park Leisure Centre	1	Final	Restricted
Holker Street Car Park	1	Final	Restricted
External Fabric Repairs 104 Abbey Rd	1	Final	Substantial
Refurbishment Ground Floor Male and Female Toilets	1	Final	Substantial
IT Asset Management	1	Final	Restricted

5. CLASSIFICATIONS

5.1 Classification of Assurance Levels

At the conclusion of each audit, we give an overall opinion on the level of assurance, which we consider is provided by the controls in place within the system audited. The following classification of assurance levels has been adopted:

Level	Definition
1. Unqualified Assurance	The controls appear to be consistently applied.
2. Substantial Assurance	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
3. Restricted Assurance	The level of non-compliance identified places the system objectives at risk.
4. None	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

The conclusions and assurance levels specified for each audit are used to support the Council's governance review arrangements, as required by the Accounts and Audit (Amendment) (England) Regulations 2006, and the 2007 CIPFA/SOLACE Framework and Guidance notes.

5.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

- Priority 1* Major issues that we consider need to be brought to the attention of senior management.
- Priority 2* Important issues which should be addressed by management in their area of responsibility.
- Priority 3* Detailed issues of a relatively minor nature.

APPENDIX 1 – DRAFT REPORTS ISSUED

Ref	Audit	Date issued
10-04	Housing & Council Tax Benefits	7 Feb 2011
10-11	Budgetary Control	18 Feb 2011
10-18	Accounts Payable	18 Feb 2011
CR 58	Construction of Link Road Phase 2 Cornmill Crossing	1 Dec 2010
CR 59	Partial Demolition of a 'Darlington' Steel Portal Framed warehouse & re establishing Structure etc	24 Jan 2011

Appendix 2 – Restricted Assurance Audits

Ref	Audit	Recommendations			Previous Recommendations			Total	Date Issued
		P1	P2	P3	P1	P2	P3		
09-39	Contract Probity	2	3	0	N/a			5	28 April 2010
10-24	Sodexo Catering Contract Forum 28 <i>(awaiting revised management response)</i>	2	6	1	N/a			9	9 December 2010
10-34	Residual Waste Probity Review	2	3	0	N/a			5	2 December 2010
CR 53	Construction of Holker Street Car Park	0	10	0	N/a			10	1 December 2010
CR 55	Alterations to the Park Leisure Centre	0	9	0	N/a			9	8 December 2010
CR 58	Construction of Link Road Phase 2 Cornmill Crossing <i>(awaiting management response)</i>	2	2	0	N/a			4	1 December 2010
CR 59	Partial Demolition of a 'Darlington' Steel Portal Framed warehouse & re establishing Structure etc <i>(awaiting management response)</i>	3	13	2	N/a			18	24 January 2011
IT 40	IT Asset Management	0	11	2	N/a			13	10 December 2010
IT 44	IT General Controls, Review of IT 42				1	27	6	34	11 February 2011

AUDIT COMMITTEE		Part One (D) Agenda Item 10
Date of Meeting: 8th March, 2011		
Reporting Officer: Borough Treasurer		
<p>Title: Internal Audit – Final Reports</p> <p>Summary and Conclusions:</p> <p>Internal Audit have completed a number audits in accordance with the approved annual programme. On completion, final reports are presented to this Committee for consideration.</p> <p>The Council's Internal Audit Manager will attend the meeting to present the reports to Members.</p> <p>Recommendations:</p> <p>Members are recommended to:</p> <ol style="list-style-type: none"> 1. Receive and consider the reports; and 2. Raise any questions or concerns with the Internal Audit Manager. 		

Report

There are 7 final reports for consideration, attached to this report at **Appendices 4 - 10**. The following table sets out the assurance level assigned to each report and the number of issues identified.

The assurance levels are:

None – control is weak, causing the system to be vulnerable to error and abuse.

Restricted – significant weaknesses have been identified in the system of control, which put the system objectives at risk.

Substantial – while there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.

Unqualified – there is an adequate system of control designed to achieve the system objectives.

The recommendation levels assigned to issues identified are:

Priority 1 – **major issues** that Internal Audit considers need to be brought to the attention of senior management.

Priority 2 – **important issues** which should be addressed by management in their areas of responsibility.

Priority 3 – **minor issues** which provide scope for operational improvement.

Previous issues – are issues identified in a previous audit report that have not been entirely implemented at the time of this latest audit.

No.	Report	Assurance level	Major issues	Important issues	Minor issues	Previous issues
CR 55	Alterations to the Park Leisure Centre	Restricted	-	9	-	-
IT 40	IT Asset Management	Restricted	-	11	2	-
CR 52	Refurbishment of ground floor male and female toilets	Substantial	-	4	-	-
10-05	Council Tax	Substantial	-	1	1	-
10-07	NNDR	Substantial	-	1	-	-
IT 44	IT General Controls	Restricted	1	16	5	-
10-14	Payroll	Substantial	-	-	5	7

(i) Legal Implications

Statutory requirements under Section 151 and the Accounts and Audit Regulations 2006.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 55
ALTERATIONS TO THE PARK LEISURE CENTRE

Executive Summary

Introduction

Internal Audit are required under the Council's Financial Regulations to consider for review all contracts issued prior to the Final Account being paid to the Contractor. The Borough Treasurer through the Head of Internal Audit will select a sample of contracts for higher scrutiny and reconciliation with the Final Account.

The contract to upgrade and expand facilities at the Park Leisure Centre will contribute to the Council's Community Plan for improving the health of people living in the area.

Pulse Fitness Limited currently provide the Leisure Centre; in partnership with the Council; membership services and supply of equipment. The company provided an acceptable design and build proposal which included architect, main contractor and equipment supplier. Capita – Symonds were appointed as CDM Co-ordinator for the works.

The contract sum of £1,275,342.88 was accepted by the Council who completed the Contract document with a signature under seal.

Audit Objectives

The audit objectives were to perform an examination of the interim and final account and associated documentation. Details of the audit methodology are provided in Appendix 1.

Key Points
Restricted Assurance
Nine important issues

Audit Conclusion – *Restricted Assurance*

As a result of the audit we have concluded that weaknesses have been identified in the system of control, which may put the system objectives at risk. We have made nine Priority 2 recommendations relating to contract management which concern ensuring:

- documentation relating to the appointment of consultants is retained;
- evidence of contractors' insurance cover is obtained;
- the Council take sufficient security for every contract estimated to exceed £150,000;
- increases to the contract sum should only be accepted if supported by a authorised variation document;
- the contractor provides a copy of the Final Account for scrutiny;
- invoices should not be paid unless supported by authorised payment certificates;

- retention should be made at the contract rate;
- liquidated and Ascertained damages are claimed against the contractor following a delay in completing the required works; and
- contract documents are fully complete prior to executing as a deed.

Management Response

We have received a constructive response from Keith Johnson, Community Services Manager, accepting each recommendation and agreeing to obtain additional supporting information.

Acknowledgement

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

Recommendation 1	Responsibility: Community Services Manager	Priority: 2
<p>The Council should ensure that all documentation relating to the appointment of consultants is retained; in order to substantiate decisions made and transparency of the process.</p>		
<p>Rationale</p>		
<p>Good and Tillotson (Chartered Architects) were appointed as Employer's Agent and CAPITA Symonds were appointed as CDM Co-ordinator in order to provide the Council with an independent means to verify the quality and the cost of the delivered project.</p> <p>However, during the review Internal Audit were unable to verify the process used or the decisions taken to appoint Good and Tillotson or CAPITA Symonds. This action is potentially in breach of Contract Standing Order 19.1 which states "before the engagement of any architect, engineer, surveyor or other consultant for the purpose of any contract in respect of the supply of goods or materials or the carrying out of works the Chief Executive or appropriate Director shall obtain quotations wherever possible in accordance with financial regulations."</p> <p>This weakness may not provide adequate assurance over the internal control arrangements.</p>		
<p>Management Response</p>		
<p>Pulse Fitness Ltd were appointed by the Council as the main contractor for this project; they appointed Good and Tillotson as Employer's Agent, with hindsight this appointment should have been reported to the Council's Executive Committee. Capita were appointed by the former Director Regeneration; again their specific appointment for this project was not reported to Executive Committee.</p> <p>We will ensure any such future appointments are compliant.</p>		
Accepted	Implementation Deadline:	Immediate

Recommendation 2	Responsibility: Community Services Manager	Priority: 2
<p>The Council should ensure that evidence of contractors' insurance cover is obtained and that it complies with Contract Documentation and covers the expected duration of the works.</p>		
<p>Rationale</p>		
<p>The JCT Design and Build contract document signed by a representative of the Council and Pulse Fitness Limited, requires the contractor to have in place insurance for injury to persons or property for any one occurrence of £10m.</p> <p>Internal Audit obtained details of the employers liability and public/products liability insurance cover relating to Pulse Fitness Ltd, and confirmed that the stated cover for Public/Products Liability did not comply with the contract document requirement of £10m (the limit of indemnity was £5m) or cover the period of the works (the period of insurance was stated as 28/02/2007 to 27/02/2008.) Internal Audit requested further documentation to cover the period of the works however this was not provided.</p>		
<p>Management Response</p>		
<p>Discussion took place with the Council's insurer Zurich regarding the level of cover for "injury to persons or property"; and cover of £5m was deemed adequate, this amendment was not specifically documented on the contractual agreement.</p> <p>I will request a copy of the cover for the period of the works.</p>		
Accepted	Implementation Deadline:	31 Jan 2011

Recommendation 3	Responsibility: Community Services Manager	Priority: 2
<p>The Council should ensure that they take sufficient security for every contract estimated to exceed £150,000.</p>		
<p>Rationale</p>		
<p>The Contract Sum for the alterations to the Leisure Centre contract is £1,275,342.88. The Council's Contract Standing Order 15.2 states "The Council shall require and take sufficient security for the due performance of every contract estimated to exceed £150,000. The security shall be in the form of a Bond provided by a duly recognised Bank or Guarantee company approved by the Borough Treasurer".</p> <p>Examination of the JCT Design and Build contract document confirmed that a provision for a Bond (4.15.4) had neither been completed nor deleted as required, in addition Internal Audit could not verify that a bond had been obtained.</p> <p>This weakness may not provide adequate assurance over the performance of a key internal control.</p>		
<p>Management Response</p>		
<p>A bond was not taken out for this project; this decision has not been reported in accordance with Contract Standing Orders.</p> <p>This weakness will be addressed for any future contracts.</p>		
Accepted	Implementation Deadline:	Immediate

Recommendation 4	Responsibility: Community Services Manager	Priority: 2
<p>The Council should ensure that its project managers obtain signed and priced copies of documents varying the Contract Sum.</p>		
<p>Rationale</p>		
<p>The Contract Sum of £1,275,342.88 had been increased to £1,285,370.20 following the receipt of supplier invoices consisting of an initial 20% of the contract sum on possession of the site, followed by six stage payments.</p> <p>The Employer's Agent is required under Article 3 of the Contract Document to issue Architect Instructions to vary the Contract Sum.</p> <p>However, Internal Audit were unable to obtain documents varying the contract sum in order to determine whether they are appropriate and properly authorised.</p>		
<p>Management Response</p>		
<p>In order to comply with the contract conditions I will endeavour to obtain a variation order supporting the increase to the contract sum.</p> <p>I am aware there was additional work outside of the scope of the original contract, in particular, the main corridor between the wet-changing rooms and the sports hall required refurbishment.</p>		
Accepted	Implementation Deadline:	31 Jan 2011

Recommendation 5	Responsibility: Community Services Manager	Priority: 2
The Council should ensure that the contractor provides a copy of the Final Account for scrutiny.		
Rationale		
Section 19 (4) of the Council's Financial Regulations states "Heads of Service will ensure that all formal contracts are referred to Internal Audit for the proper check to be performed, as soon as the final account is agreed and before any retention is paid." However, Internal Audit have not been provided with a copy of the Final Account in order to scrutinise the cost of the works including any additions or omissions; although the defects liability period ended on 14 th July 2009.		
Management Response		
I will request a copy of the Final Account for this project.		
Accepted	Implementation Deadline:	31 Jan 2011

Recommendation 6	Responsibility: Community Services	Priority: 2
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Manager		
<p>The Council should ensure that its project managers receive an independent valuation of the work completed prior to authorising supplier invoices for payment.</p>		
Rationale		
<p>Internal Audit were unable to obtain evidence that Interim Payment Certificates had been issued by the Employer's Agent as required in the Contract Document Article 3 which states "the Employer's Agent is Good & Tillotson (Chartered Architects) or such other person as the Employer shall nominate in his place. Save to the extent that the Employer may otherwise specify by written notice to the Contractor, the Employers Agent shall have full authority to receive and issue applications, consents, instructions, notices, requests or statements and otherwise to act for the Employer under any conditions".</p> <p>Internal Audit reviewed seven supplier invoices, which had been certified and authorised for payment without supporting Interim Payment Certificates being received.</p> <p>Unless documents are appropriately and consistently authorised there is an increased risk that the Council may make payment for work which has not been formally approved.</p>		
Management Response		
<p>I will request the Payment Certificates to be produced to support the payments made.</p>		
Accepted	Implementation Deadline:	31 Jan 2011

Recommendation 7	Responsibility: Community Services Manager	Priority: 2
<p>The Council should ensure that retention calculations are consistent and comply with the Council's Contract Standing Orders and Contract Document Article 8 (4.17.1).</p>		
<p>Rationale</p>		
<p>The Council's Contract Standing Orders 14.2.6 states "2.5% of the cost of the contract shall be withheld by the Council from payment until clearance of the Final Account is received from the Council's Internal Audit". The Contract Document Article 8 (4.17.1) uplifts the retention to 3%.</p> <p>Internal Audit reviewed the payments made to Pulse Leisure Limited for completed works and identified that an initial payment of 20% of the Contract Sum had been made to Pulse Leisure Limited on taking possession of the site, which had not been subjected to retention at 3%.</p> <p>Additionally, the stage six request for payment had also been paid without deduction. A re-performance of the payment calculation identified that only 2.27% of the claimed cost is currently being retained by the Council until a Final Account is submitted by Pulse Leisure Limited, which has resulted in premature payments totalling £9,403.65 in advance of the receipt of the Final Account.</p>		
<p>Management Response</p>		
<p>Agreed, this will be noted for future.</p>		
Accepted	Implementation Deadline:	Immediate

Recommendation 8	Responsibility: Community Services Manager	Priority: 2
<p>The Council should ensure that Liquidated and Ascertained damages are claimed against the contractor following a delay in completing the required works; from the date specified for completion, recorded in the Contract Document.</p>		
<p>Rationale</p>		
<p>In accordance with expected practice the Council and contractor will agree dates for commencement and completion of the required works which are recorded in the Contract Document signed by both parties. Contracts may not always be completed within the contractual timescales due to delays caused by the contractor, Council or external actions. In the event of a delay the circumstances are appraised and a determination of the cause made. Where the Architect considers the delay to be outside the contractor's control he will issue a Certificate amending the Contract Completion date for the period of delay. In the event that the Architect is unable to provide such relief, the contractor would be liable to a penalty, calculated at the contractual Liquidated Damages rate for the period of the delay. The contractor retains the right to issue a counter claim against the Council for additional site costs for the extended period of the work. Possible penalties should be taken into account when determining the amount of retention monies to be released to the contractor.</p> <p>The Contract Document states the date for possession as 10th December 2007 and the date for completion of the works as 30th June 2008; a total of 29 weeks. The date of Practical Completion was certified as 14th July 2008; however, there was no evidence of a claim for a variation to extend the date for completion, or a deduction for the release of retention monies to the contractor. This resulted in an unauthorised delay of two weeks which equates to liquidated and ascertained damages due to the Council of £1,000.00 calculated at the Contract provision rate.</p>		
<p>Management Response</p>		
<p>It is accepted that a variation order approving the extension of the contract completion date was not produced. However, the two week delay was due to operational matters relating to the Park Leisure Centre.</p> <p>This will be noted for future.</p>		
Accepted	Implementation Deadline:	Immediate

Recommendation 9	Responsibility: Community Services Manager	Priority:	
<p>The Council should ensure that Contract Documents are fully complete prior to executing as a deed.</p>			
<p>Rationale</p>			
<p>Internal Audit reviewed the Design and Build Contract Revision 1: 2007 and identified several issues including alterations made using correction fluid, paragraphs requiring either completion or to be struck out had not been attended to; and where alterations had been made they had not been individually initialled by both parties. The persons representing the Council and the Contractor have only initialled at the foot of each page. There is a potential risk that unless each amendment is initialled further changes may be made to the Contract Document at a later date.</p>			
<p>Management Response</p>			
<p>Agreed, I will endeavour to arrange necessary signatures on relevant documentation.</p>			
Accepted	Implementation Deadline:		Immediate

APPENDIX 1

AUDIT FRAMEWORK

Audit Coverage

The review covered the following areas:

- contract / tender process;
- bill of quantities;
- insurance and bond provision;
- additions & omissions, including architects instructions;
- contract meetings;
- extension and completion certification;
- payments, including interim and final certificates; and
- final account.

Methodology

The contract review covered the following key stages:

- evaluation of the contract summary details;
- confirmation of management objectives for contract review;
- examination of the tender and contract documentation;
- spot checks on arithmetical calculations;
- verify final account with the cumulative paid; and
- report findings, with relevant and practical recommendations for improvement.

Performance

Auditors: Keith Jackson and Ifor Jones.

The fieldwork was performed: September 2009 to April 2010.

All final Internal Audit reports from April 2007 will be presented to the Council's Audit Committee.

APPENDIX 2

CONTRACT PARTICULARS

Contract Title:	Alterations and Adaptations to existing Leisure Centre to form additional floor Fitness Centre Dance Studio, Dry Change Reception and Catering Areas.
Contract Form:	JCT Design & Build Contract: Revision 1 2007.
Contractor:	Pulse Fitness
Architect:	Design & Build Contract <ul style="list-style-type: none"> • Designer: DV9 Designs • M&E Engineers: Thornley and Lumb • Structural: F G Markland Associates
Quantity Surveyor:	Design & Build Contract
Tender Sum:	£ - No evidence of tender exercise.
Contract Sum:	£1,275,342.88
Date for Possession:	10 th December 2007
Date for Completion:	30 th June 2008
Date of Practical Completion:	14 th July 2008
Delay in Completion:	Two Weeks
Extension of Time Granted:	No evidence of extension granted.
Liquidated and Ascertained Damages provision/paid/received:	Provision: £500.00 per week. Possible two week penalty.
Minimum Insurance Cover	£10m Public Liability – only £5m evidenced. £10m Employer's Liability.
Minimum Bond	£0 Performance Bond Confirmed.
Retention Amount	Retention 3% to Practical Completion. Retention 2.5% During Defects Period.
Submitted Final Account Sum:	£ Not Presented.
Audited Final Account Sum:	£ 1,285,370 (estimate)
Percentage increase / Submitted Final Account against Contract Sum.	0.79%

APPENDIX 3**CLASSIFICATIONS****Assurance Level**

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT DRAFT FINAL REPORT IT 40
IT Asset Management

Executive Summary

Introduction

In accordance with the 2008/9 Audit Plan, an IT review of the controls relating to IT Asset Management was undertaken.

Audit Objectives

The objective of the audit was to provide reasonable assurance that adequate controls are in place to achieve and maintain appropriate protection of the Council's IT assets.

The work involved discussions with IT management and staff, review of system documentation, inventories and logs, and observation of activities associated with IT asset control. In addition, the Auditor checked a sample of IT assets (hardware and services) to confirm that they were labelled and reflect the IT asset inventory.

Key Points

Restricted Assurance

Eleven important issues.

Two minor issues.

The objective of the audit and the key risks were discussed and agreed with Mick McKinnell, IT Manager, at the start of the audit. Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Restricted Assurance*

As the result of the audit we have concluded that while there are significant weaknesses in the system of control, which may put the system objectives at risk, considerable progress has been achieved, in particular the introduction of the Track-IT Helpdesk system, which will improve the recording and protection of the Council's IT assets.

Implementation of audit recommendations agreed by management, over the six to nine months, should raise the assurance level for the audit to 'substantial'.

We have raised eleven important issues, which concern:

- finalising documentation and processes associated with the introduction of Track-IT;
- agreeing a date for the introduction of an application system inventory, providing details such as system owner and disaster recovery requirements;
- the introduction of an Information Classification Policy;
- updating procedures and the certification process for disposal of media;

- further work on inventory checks and management of changes to inventories;
- the detailing of local databases;
- issuing a procedure covering the process of reviewing related software, as reported by Track-IT, and stating action required to check and update records;
- enhancements to procedures to check purchases against licences;
- maintaining a record of all communications equipment to confirm it is not vulnerable to external threats;
- enhancements to procedures to check disks against Microsoft agreements;
- development of a policy on data devices.

We have also raised two minor issues which relate to:

- detailing all types of information retained in the hardware/software inventory within the strategy/policy document for IT Asset Management; and
- extending the procedure for procurement and recording of hardware purchases AAD/PROC to explain the Track-IT entry procedure.

Management Response

We have received a constructive management response from Mick McKinnell, IT Manager, accepting and agreeing action on twelve of our recommendations, referring the third recommendation, associated with the Information Classification Policy, to the Director of Corporate Services.

Acknowledgement

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

Recommendation 1	Responsibility: IT Manager	Priority: 2
<p>IT Management should document outstanding work associated with the implementation of the new IT Asset Inventory and agree a target date for full implementation.</p>		
<p>Rationale</p>		
<p>The IT department have produced a paper entitled 'IT Asset Management Policy'. This outlines the approach for controlling assets, which is being implemented in line with the introduction of Track-IT software.</p> <p>The paper is supported by three procedure documents:</p> <ul style="list-style-type: none"> • Procurement of IT related equipment • Admin tasks re Track-IT Software licensing • Disposal of equipment <p>IT are currently updating the Track-IT system with hardware and software licence details. However, there is no agreed target date for the completion of all work associated with the transfer of information and for the system to be fully operational.</p> <p>The full implementation of this system supported by new procedures will enable the Authority to demonstrate effective handling and management of IT assets.</p>		
<p>Management Response</p>		
<p>Agreed. Hardware will be completed by 30th September 2010, software by 31st December 2010.</p>		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 2	Responsibility: IT Manager	Priority: 2
<p>The Council should agree a date for the introduction of an application system inventory, providing details such as system owner and disaster recovery requirements.</p> <p>Additionally, an inventory list of key facilities required for the server room should be maintained and the training matrix should be completed for all staff.</p>		
<p>Rationale</p>		
<p>The IT department maintain a list of all related procedures and propose to hold an inventory of each application system, identifying the responsible data owner. As yet, this has not been implemented.</p> <p>While maintenance of the services supporting IT, such as air conditioning, are not the responsibility of IT, areas such as humidity temperature control are managed by the department, currently, a record of these is not maintained.</p> <p>The maintenance of a record of all IT equipment and associated facilities supports effective replacement of IT and facilitates the management of IT disaster situations.</p> <p>Further, the IT Manager has constructed a matrix of staff skills. This had been completed for five out of ten staff. The completion of the matrix for all staff will help to identify any skill and support vulnerabilities.</p>		
<p>Management Response</p>		
<p>Agreed. The inventory of applications will be complete by 31st December 2010. The record of services and skills will be completed by 30th June 2010.</p>		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 3	Responsibility: Director of Corporate Services	Priority: 2	
<p>The Council should agree responsibility for information classification. A policy should be produced for the classification of information according to its importance and sensitivity, and state the requirements for handling, sharing and the secure disposal of information according to its classification.</p>			
<p>Rationale</p>			
<p>There is currently no information classification policy in place within the Council.</p> <p>A classification policy is required to enable the Council to fulfil its statutory and regulatory responsibilities in relation to confidentiality of data. Without a policy defining the different categories of information it is difficult for Information Owners to fulfil their obligations to classify information in a consistent and meaningful way.</p>			
<p>Management Response</p>			
<p>It is agreed the Information Classification Policy will be produced, which will be the responsibility of the Director of Corporate Services.</p>			
Accepted		Implementation Deadline:	31 March 2011

Recommendation 4	Responsibility: IT Manager	Priority: 2
<p>In order to evidence the secure disposal of all Council media holding data, the IT department should retain a log of the method of destruction and retain an appropriate certificate of secure disposal where third party disposal is used.</p> <p>Procedures should be updated to document the secure disposal process, and retention of certificates.</p>		
Rationale		
<p>Current procedures relating to the disposal of the Council's IT assets do not state the present process for ensuring that confidentiality is not compromised, although alternatives are provided.</p> <p>In the past it is understood that external organisations have been commissioned to securely dispose of equipment containing media holding Council information. At those times there was no requirement to retain evidence of secure disposal. It is understood that IT will require a certificate of secure disposal for the current redundant kit.</p>		
Management Response		
Agreed.		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 5	Responsibility: IT Manager	Priority: 2
<p>The Council's inventory process should ensure that changes to IT assets, in particular, location, are recorded on the inventory. This process should be documented.</p> <p>Once the hardware inventory has been fully transferred to Track-IT, there should be a physical check to confirm the accuracy of all items as a one off exercise.</p>		
Rationale		
<p>Internal Audit undertook a check of nine hardware items selected at random from a list of IT assets taken from the Council database, with the following results:</p> <ul style="list-style-type: none"> • three were correctly recorded; • one had the correct location but no audit label; • three were in a different to recorded location (1 without audit label, 1 no serial number provided); • two were not located, whereabouts unknown. <p>This emphasises the need for IT to have a robust process to ensure that when assets are added, changed and removed, the changes are recorded on the Inventory.</p> <p>There should be a thorough review of the inventory against physical assets, as a significant proportion of information is not 100% accurate.</p>		
Management Response		
Agreed.		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 6	Responsibility: IT Manager	Priority: 2
<p>The “Information Owner’s” duties should include the requirement to detail all local databases and spreadsheets within their area of responsibility.</p>		
<p>Rationale</p>		
<p>The Council retain information in many formats, including local databases and spreadsheets.</p> <p>It is important that the Council keeps a central record of these, particularly if they hold personal data, in order to meet Data Protection and Freedom of Information requirements.</p> <p>There is currently no provision to centrally record this information.</p>		
<p>Management Response</p>		
<p>Agreed.</p>		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 7	Responsibility: IT Manager	Priority: 2
<p>The IT department should issue a procedure covering the process of reviewing relevant software, as reported by Track-IT, and stating action required to check and update records.</p>		
<p>Rationale</p>		
<p>The Track-IT software undertakes a review of each PC on a weekly basis to identify all software held. There are no procedures in place to record this process and further action to be taken. In order to ensure that the review is undertaken effectively and consistently, and that appropriate steps are taken if the review shows any discrepancy, the process should be formally documented within procedures.</p>		
<p>Management Response</p>		
<p>Agreed.</p>		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 8	Responsibility: IT Manager	Priority: 2
<p>A process should be agreed for regular sample checks, to compare Track-IT licences against purchase orders.</p>		
<p>Rationale</p>		
<p>While there is a logical check of software by Track-IT, currently there is no supporting physical check. Checks could be undertaken as follows:</p> <ul style="list-style-type: none"> • Checking software packages against the original purchase order, which will be recorded on the Track-IT system. • Referring the licence details on Track-IT back to the purchase orders. Ideally it should be possible to audit in both directions e.g. PO to Track-IT and Track-IT to PO. <p>Such checks are necessary to confirm that usage of software does not exceed licence permissions, which could result in prosecution, and also to support economic use of licences, and avoid over-ordering.</p>		
<p>Management Response</p>		
<p>Agreed.</p>		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 9	Responsibility: IT Manager	Priority: 2
<p>IT Management should maintain a record of all communications equipment to confirm that it is not vulnerable to external threats.</p>		
<p>Rationale</p>		
<p>Most Council hardware is housed in either a secure area (i.e. the server room) or in the standard office environment. However, some hardware, communications equipment, routers and switches that link offices and remote sites to the network, may be in more open areas and therefore potentially vulnerable to damage and resultant business interruption.</p> <p>Currently, a record of such equipment, including the identification of potential threats does not exist.</p>		
<p>Management Response</p>		
<p>Agreed.</p>		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 10	Responsibility: IT Manager	Priority: 2
<p>The Council should maintain a record of all current disks, held in the IT department safe including those provided by Microsoft, associated with the volume licensing agreement; and undertake a physical check on a regular basis.</p>		
<p>Rationale</p>		
<p>The IT department are provided with Microsoft Select Volume Licensing Agreement CDs, in addition to which, the Council relies on the integrity of the staff to ensure that illegal copies are not made. The CDs are retained in the IT safe, although a list of current CDs is not maintained. It is suggested that in order to ensure there is no unauthorised removal of CDs, a list of current CDs should be maintained and a regular check undertaken to ensure that all CDs can be accounted for.</p>		
<p>Management Response</p>		
<p>Agreed.</p>		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 11	Responsibility: IT Manager	Priority: 2
<p>IT Management should propose a strategy for a secure but practical approach for the handling and use of remote data devices (such as data sticks).</p>		
Rationale		
<p>The secure handling of remote devices is not currently addressed within the Council's Information Security Policy. The use of remote devices, such as USB or data sticks, could cause an embarrassment to the Council, if lost or misused and as a result confidential information is placed within the public domain.</p> <p>This is an area currently being reviewed by all public sector organisations and may become an issue under the Code of Connection requirements. The Council should ensure that every practical step is taken to protect information held within its systems.</p>		
Management Response		
<p>Agreed.</p>		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 12	Responsibility: IT Manager	Priority: 3
<p>The strategy/policy document for IT Asset Management should detail all types of information retained in the hardware/software inventory. Ideally both the user (e.g. PC user) and nominated Information Owner should be recorded within the inventory.</p>		
<p>Rationale</p>		
<p>The IT department have produced a procedure, which states new system information to be recorded on Track-IT; currently, this does not include owner, business value and purpose, and licence information.</p> <p>The inventory will provide useful information to manage and maintain IT software and hardware assets. It is therefore important that information stored is as comprehensive as possible.</p>		
<p>Management Response</p>		
<p>Agreed.</p>		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 13	Responsibility: IT Manager	Priority: 3
<p>The Council should ensure the procedure for the procurement and recording of hardware purchases AAD/PROC is extended to explain the Track-IT entry procedure. For example, every purchase should include the completion of a brief checklist to confirm that the procurement has been entered on Track-IT.</p>		
<p>Rationale</p>		
<p>There is reference to recording IT Assets within the IT department procedure AAD/PROC as follows:</p> <p>‘Goods should be recorded for asset and insurance purposes in the relevant databases’</p> <p>However, the process of input to Track-IT, or the steps to be taken to include the key hardware is not explained. A more detailed document exists which covers the procurement of software recorded in procedure KTR/LIC.</p> <p>It is suggested that a suitable method of ensuring all purchases are recorded on the inventory, is through the maintenance of an appropriate checklist.</p>		
<p>Management Response</p>		
<p>Agreed.</p>		
Accepted	Implementation Deadline:	31 December 2010

APPENDIX 1**AUDIT FRAMEWORK****Coverage**

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- Strategy
- IT asset inventory
- Ownership of IT assets
- Acceptable use
- Information classification and labelling
- Recording of changes to IT assets
- Auditing of assets
- Protection of IT assets

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

Performance

Auditor: David Widger

The fieldwork was performed: November 2008.

All final Internal Audit reports will be presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility	Follow-up of the recommendations will be performed by the end of the next audit year
<i>Priority 3</i>	Minor issues which provide scope for operational improvement	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL

INTERNAL AUDIT FINAL REPORT CR 52

REFURBISHMENT OF GROUND FLOOR MALE & FEMALE TOILETS, BARROW TOWN HALL

Executive Summary

Introduction

Internal Audit are required under the Council's Financial Regulations to consider for review all contracts issued prior to the Final Account being paid to the Contractor. The Borough Treasurer through the Head of Internal Audit will select a sample of contracts for higher scrutiny and reconciliation with the Final Account.

The contract for the refurbishment of Ground Floor Male and Female Toilets, Barrow Town Hall is part of the strategy to modernise the fabric of the Town Hall.

The work was valued at pre-tender stage at £100k by the Council's appointed Consultant Architects, Craig & Green Architects llp. Following a tendering exercise involving five contractors the lowest tender was accepted. The agreed Contract Sum amounted to £92,356.00.

Audit Objectives

The audit objectives were to perform an examination of the interim and final account and associated documentation. Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that weaknesses have been identified in the system of control, which may put the system objectives at risk. We have made four Priority 2 recommendations which concern ensuring:

- contractors are selected for tendering from the Council's Approved List;
- decisions regarding the award of contracts are communicated in writing;
- architect's instructions varying Contract Particulars are appropriately signed; and
- variations to Contract Particulars are supported by Architect's Instructions.

Key Points

Substantial Assurance

Four important issues

Management Response

We have received a constructive management response from Richard Hennah, Technical Support Unit Manager, accepting each of the recommendations.

Acknowledgement

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

Recommendation 1	Responsibility: Technical Support Unit Manager	Priority: 2
<p>The Council should ensure that consultants are reminded to select contractors to be invited to tender from the Council's Approved List ensuring all such bodies are made aware of the Authority's Contract Standing Orders.</p>		
<p>Rationale</p>		
<p>The Council's Contract Standing Order 8.1 states "Invitations to tender in accordance with Order 6 or Order 7 shall be sent to at least four persons selected from amongst those included in the approved list as appropriate for a contract of that amount value or category".</p> <p>A schedule of contractors to be invited to tender was prepared by the Council's consultants Craig & Green Architects llp. The review identified that one of the contractors selected to be invited to tender (Team Northern Construction Ltd) was not included on the Council's Approved List. (However, the contractor was confirmed as being registered with Constructionline).</p> <p>Additionally, the Council's Contract Standing Orders 19.3 states "all consultants appointed shall be made aware of these Contract Standing Orders and the Financial Regulations of the Council and charged with applying them on behalf of the Council wherever applicable". There was no evidence to confirm compliance with this requirement.</p>		
<p>Management Response</p>		
<p>The review of Standing Orders to be approved by Executive Committee on December 15th 2010 removes the provision of an approved list. This is being replaced by electronic tendering / requests for quotations accompanied by an internal vetting questionnaire supported by competence assessment via membership of organisations such as Constructionline, CHAS or Safe Contractor.</p> <p>The schedule of contractors will therefore be vetted and prepared internally if an open advertisement is not required. Advertised contracts will also be vetted internally. Existing Frameworks established by public sector partners may be also be used if approved by a Chief Officer for work of a value under £100,000.</p> <p>This contract was below the formal tender threshold of £100,000 and as such quotations being requested from 4 competent suppliers would now be deemed to be appropriate.</p>		
Accepted	Implementation Deadline:	31 December 2010

Recommendation 2	Responsibility: Technical Support Unit Manager	Priority: 2
<p>The Council should ensure that decisions relating to the award of contracts are communicated in writing to all participating contractors.</p>		
<p>Rationale</p>		
<p>It is accepted practice that contractors submitting tenders, who were unsuccessful, are informed in writing of the decision by the Council. The communication should also include the names of all the participating contractors in alphabetical order and the values of the tenders received in ascending order.</p> <p>However, Internal Audit were unable to locate correspondence informing the unsuccessful contractors. Through discussion with the Project Manager we were informed that the contractors had been informed of the decision by telephone.</p> <p>The issue of formal notifications of the successful contract award to all tenderers adds transparency to the exercise and also assists contractors when costing future tenders.</p> <p>The Chartered Institute of Public Finance & Accountancy (CIPFA) has in association with the Local Government Task Force, produced a publication on example Contract Procedure Rules. Section 15.6 of the publication suggests that the Council should “debrief in writing all those candidates who submitted a bid.”</p>		
<p>Management Response</p>		
<p>The introduction and adoption of an e-tendering website by Barrow Borough Council has now provided a simple auditable means for sending electronic communication. This will include notification to the unsuccessful suppliers. This is a tracked process within the web site and delivers the same information to all suppliers at every stage.</p> <p>Templates for letters to suppliers have also been adopted from N.W.I.E.P and these include the required feed back information for the suppliers. This information can also be copied to businesses expressing an interest but not submitting a Pre Qualification Questionnaire at the same time.</p>		
Accepted	Implementation Deadline:	Implemented

Recommendation 3	Responsibility: Technical Support Unit Manager	Priority: 2
<p>The Council should ensure that consultants provide officers with signed Architect's Instructions for monitoring purposes.</p>		
<p>Rationale</p>		
<p>The Council will expect contractors to deliver prescribed work at the agreed Contract Sum. However, in the majority of cases any Provisional Sums and Contingencies will be omitted and replaced with the actual cost of specific items. Additionally, as work progresses adjustments are necessary due to changes in the original specification or problems encountered during the progress of the work. Any variation to the Contract Sum requires the consent of the Architect or other professional named in the Contract Document. These variations are contained in Architect's Instructions which document the work to be replaced and the required or additional work to be completed. Prior to the issue of the Final Account these Instructions should be priced, checked for completeness and signed by the Architect; and finally verified to entries in the Final Account.</p> <p>The Council's Consultant Architect, Craig and Green, issued three Architect's Instructions during the contract.</p> <p>However, a review of the three Architect's Instructions identified that on one occasion the document had not been signed by the Architect.</p> <p>In the event of dispute with the contractor regarding the costings relating to additional or omitted work, the acceptance of un-signed Instructions may weaken the Council's position.</p>		
<p>Management Response</p>		
<p>Cumbria County Council is carrying out an open tender for professional services on behalf of themselves and all Cumbrian District authorities including Barrow Borough Council. This includes architectural services. The specifications will include the allocation of instructions for variations.</p> <p>Once this process is complete the specification will be distributed to all appropriate staff and a new procedure clarifying the methods for communication of variations and who is authorised to give them will be included.</p>		
Accepted	Implementation Deadline:	31 March 2011.

Recommendation 4	Responsibility: Technical Support Unit Manager	Priority: 2
<p>The Council should ensure that where variations to contract dates for possession and completion are agreed, the required notices are issued by the appointed Architect.</p>		
<p>Rationale</p>		
<p>The Contract Particulars stated the dates for possession and completion as 2nd February 2009 and the 27th April 2009 respectively. However, following discussions with the contractor the Architect agreed to vary the commencement and completion dates by two weeks to accommodate the availability of an experienced Site Agent.</p> <p>The use of an Architect's Instruction to record the variation to Contract Particulars would assist in providing appropriate evidence in the event of any dispute with the contractor.</p>		
<p>Management Response</p>		
<p>Cumbria County Council is carrying out an open tender for professional services on behalf of themselves and all Cumbrian District authorities including Barrow Borough Council. This includes architectural services. The specifications will include the allocation of instructions for variations.</p> <p>Once this process is complete the specification will be distributed to all appropriate staff and a new procedure clarifying the methods for communication of variations and who is authorised to give them will be included.</p>		
Accepted	Implementation Deadline:	31 March 2011.

APPENDIX 1

AUDIT FRAMEWORK

Audit Coverage

The review covered the following areas:

- contract / tender process;
- bill of quantities;
- insurance and bond provision;
- additions & omissions, including architects instructions;
- contract meetings;
- extension and completion certification;
- payments, including interim and final certificates; and
- final account.

Methodology

The contract review covered the following key stages:

- evaluation of the contract summary details;
- confirmation of management objectives for contract review;
- examination of the tender and contract documentation;
- spot checks on arithmetical calculations;
- verify final account with the cumulative paid; and
- report findings, with relevant and practical recommendations for improvement.

Performance

Auditors: Keith Jackson and Ifor Jones.

The fieldwork was performed: July to October 2009

All final Internal Audit reports from April 2007 will be presented to the Council's Audit Committee.

APPENDIX 2

CONTRACT PARTICULARS

Contract Title:	Refurbishment of Ground Floor Male and Female Toilets, Town Hall, Barrow in Furness.
Contract Form:	JCT Minor Works Building Contract 2005 with Revision 1 2007.
Contractor:	Cox & Allen Ltd
Architect:	Craig & Green – Architects LLP
Quantity Surveyor:	Craig & Green – Architects LLP
Tender Sum:	£92,356.00
Contract Sum:	£92,356.00
Date for Possession:	2 nd February 2009 16 th February 2009
Date for Completion:	27 th April 2009 11 th May 2009
Date of Practical Completion:	7 th May 2009
Delay in Completion:	N/A
Extension of Time Granted:	N/A
Liquidated and Ascertained Damages provision/paid/received:	Provision: £100 per week
Minimum Insurance Cover	£10,000,000 Public Liability £10,00,000 Employer's Liability
Minimum Bond	Not stated.
Retention Amount	Retention 95% to Practical Completion Retention 97.5% During Defects Period Released prior to the above being achieved.
Submitted Final Account Sum:	£93,817.06 plus VAT
Audited Final Account Sum:	£93,817.06 plus VAT
Percentage increase / Submitted Final Account against Contract Sum.	+ 1.582%

APPENDIX 3**CLASSIFICATIONS****Assurance Level**

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 10-05
COUNCIL TAX

Executive Summary

Introduction

The provision of the Authority's Council Tax service is carried out by Liberata utilising the Northgate iWorld system, as part of a long term contract awarded in 1998. The gross liability for 2010/11 is approximately £40m, which relates to 33,200 properties.

Audit Objectives

An audit of this system forms part of the agreed 2010/11 programme. The audit objectives were to evaluate and test the internal controls over the Council Tax system. The scope and objectives of the audit were discussed and agreed in advance with Lesley Wood, Senior Revenues Technician.

Key Points
Substantial Assurance
One important issue
One minor issue

Audit work included a control evaluation of the system design, and testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that, while there is a basically sound system, there are weaknesses which put some of the system objectives at risk. We have made one Priority 2 recommendation, which concerns the clearance of unidentified items from the suspense account.

In addition, we have made one Priority 3 recommendation, which relates to tracing Council Tax payers in arrears who leave properties without providing a forwarding address.

Internal Audit reviewed the two recommendations made in Audit Report 09-06, dated March 2010. Each of the recommendations have been fully implemented. In addition, Internal Audit reviewed the one agreed recommendation made in Audit Report 08-13, dated February 2009, this recommendation has been implemented as far as practical.

Management Response

We have received a constructive management response from Lesley Wood, Senior Revenues Technician, accepting both of the recommendations.

Acknowledgement

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

Recommendation 1	Responsibility: Deputy Borough Treasurer & Senior Revenues Technician	Priority: 2
<p>The Council and Liberata should:</p> <ul style="list-style-type: none"> a) jointly review the reasons for income being posted to the Council Tax Suspense Account and the information available to help identify items; and b) revise procedures to manage the Account in the most effective manner, in order to reduce the number of outstanding items held in suspense. 		
Rationale		
<p>Income transactions are posted to the Council Tax Suspense Account where it is understood that the income relates to council tax but there is insufficient information, usually an inadequate account reference, to identify it to the correct council tax payer's account</p> <p>Internal Audit selected a sample of five items posted to the Council Tax Suspense Account. Although all items in the sample had been cleared within five weeks, at the date of the audit review there were approximately a further 70 outstanding items in the Account, of which the oldest was dated 7 April 2010.</p> <p>Internal Audit discussed this finding with the Deputy Borough Treasurer and Liberata's Senior Revenues Technician. It was suggested that a quarterly report is produced and annotated to demonstrate that the information on individual items has been checked to ascertain whether they could be identified/cleared.</p> <p>Additionally, it was considered that a more fundamental joint review of the procedures for unidentified income could prevent some instances or trace items more effectively. Such a review would seek to make maximum use of the information available in order to trace unidentified receipts.</p>		
Management Response		
<p>Discussion has taken place between Liberata and the Accounts Department with a view to improving the sharing of any information available to either party, however brief, in an effort to identify payments sooner.</p> <p>Liberata will produce and annotate a quarterly report to demonstrate that the information on individual items has been checked to ascertain whether they could be identified and cleared.</p>		
Accepted	Implementation Deadline:	31 March 2011

Recommendation 2	Responsibility: Senior Revenues Technician	Priority: 3
<p>Liberata should ensure where a Council Tax payer in arrears leaves a property without a forwarding address, attempts are consistently made to trace the person before the debt is written off as being irrecoverable.</p>		
<p>Rationale</p>		
<p>Internal Audit examined the documentation provided to support the write off of a sample of twenty council tax debts.</p> <p>In two cases, it appeared that more effort could have been made to trace two debtors prior to the debts being considered for write off:</p> <p>Account 2000116445: when the tenant left the property, the landlord should have been requested to provide a forwarding address if known; this request had not been made.</p> <p>Account 2000106123: the council taxpayer did not return to the property after a period in prison. The Prison Service had not been contacted, which it is understood is correct, as they do not disclose forwarding addresses; (however the iWorld revenues system) holds a current contact address for the debtor.</p>		
<p>Management Response</p>		
<p>Liberata will endeavour in future to ensure correct procedure is followed in all cases to ascertain the whereabouts of people who have gone no trace prior to writing off any debts relating to them.</p>		
Accepted	Implementation Deadline:	Immediate

APPENDIX 1**AUDIT FRAMEWORK****Coverage**

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- Maintenance of the Council Tax database;
- Exemptions/Discounts;
- Billing;
- Collection;
- Refunds;
- Recovery; and
- Write offs.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

In addition, Internal Audit reviewed management's progress in implementing the agreed recommendations from our previous audit report.

Performance

Auditors: Claire Pittard, Gill Jones and Jack Jones

The fieldwork was performed: November to December 2010.

All final Internal Audit reports are presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 10-07
NATIONAL NON DOMESTIC RATES

Executive Summary

Introduction

The Council's National Non Domestic Rates service is provided by Liberata as part of a long term contract awarded in 1998. Following a national revaluation in April 2010, the total rateable value for the 2,295 NNDR properties in the Borough is around £56.6m, which produces a gross liability of £23.5m for 2010/11.

Audit Objectives

An audit of this system forms part of the agreed 2010/11 programme. The audit objectives were to review the internal controls over the National Non Domestic Rates system. The scope and objectives of the audit were discussed and agreed in advance with Lesley Wood, Senior Revenues Technician.

Key Points
Substantial Assurance
One important issue

Audit work included a control evaluation of the system design, and testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that, while there is a basically sound system, there are weaknesses which put some of the system objectives at risk. We have made one Priority 2 recommendation, which concerns the separation of duties in relation to the processing of refunds.

Internal Audit reviewed the two agreed recommendations made in Audit report 09-07, dated March 2010, and confirmed that both recommendations had been implemented.

Management Response

We have received a constructive management response from Lesley Wood, Senior Revenues Technician, accepting the recommendation.

Acknowledgement

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

Recommendation 1	Responsibility: Senior Revenues Technician & Deputy Borough Treasurer	Priority: 2	
<p>Liberata should ensure that there is adequate separation of duties in relation to the processing of business rate refunds.</p>			
<p>Rationale</p>			
<p>Internal Audit selected a sample of 15 refunds from a report of all 2010/11 refunds to date produced from the iWorld system and traced the individual transactions through the system.</p> <p>Refunds are created by Liberata 'Rating' staff, before being approved by Council client monitoring staff and returned to Liberata to be processed for payment to the ratepayer.</p> <p>For the sample, eight of the refunds had been both created and processed for payment by the same member of Liberata staff, representing an internal control weakness within the process.</p> <p>Through discussion we were informed that an improvement to the system could be through the creation of the refund to remain the responsibility of Liberata's 'Rating' staff, but for the processing of payments to be performed by its Technical staff. Which would result in Borough Treasurer's payments staff only accepting a request to issue the refund if it originated from the Liberata Technical staff.</p>			
<p>Management Response</p>			
<p>Liberata implemented this suggestion with immediate effect.</p> <p>Going forward, all refunds will be created by NNDR Officers and all checking and processing of payments will be performed by Revenues Technicians, eliminating the possibility of any refunds being created and processed for payment by the same member of staff.</p>			
Accepted	Implementation Deadline:		Implemented

APPENDIX 1**AUDIT FRAMEWORK****Coverage**

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- Maintenance of the NNDR database;
- Reliefs/Exemptions;
- Billing;
- Collection;
- Refunds;
- Recovery of Arrears; and
- Write offs.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

In addition, Internal Audit reviewed management's progress in implementing the agreed recommendations from our previous audit report.

Performance

Auditors: Claire Pittard, Gill Jones and Jack Jones.

The fieldwork was performed: November to December 2010.

All final Internal Audit reports are presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL

INTERNAL AUDIT FINAL REPORT IT 44

IT General Controls – Implementation Review

Executive Summary

Introduction

Internal Audit has developed an audit programme, covering general IT controls. The programme was based upon guidance provided by the Audit Commission, who defined 4 key areas of review – Data Centre and Network Operations, System Software Acquisition, Change and Maintenance, Access Security and Application System Acquisition, Development and Maintenance. The 4 key areas have been sub-divided into 13 control areas.

Completion of this audit enables Internal Audit to express an opinion on a wide area of IT activity, and helps to satisfy External Audit requirements for an assessment of IT general controls.

Audit Objectives

Internal Audit performed a review of the previous Audit Report IT 42, dated December 2009. This review forms part of the agreed 2010/2011 programme.

The objectives of the audit were discussed and agreed with Mick McKinnell, the IT Manager, at the start of the audit.

Key Points
Restricted Assurance
Previous recommendations:
One major issue
Sixteen important issues
Five minor issues

Audit Conclusion – *Restricted Assurance*

One Priority 1 recommendation, twenty-nine Priority 2 recommendations and six Priority 3 recommendations were made within the original report. Of those, two recommendations have been implemented, twelve have been overtaken by events and twenty-two recommendations remain outstanding and are detailed in this report.

Management Response

We have received a constructive management response from Mick McKinnell, the Council's former IT Manager and Richard Hennah, Technical Support Unit Manager, providing further comment and revised implementation deadlines for the recommendations.

Acknowledgement

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

Recommendation 1	Responsibility: IT Manager	Priority: 1
<p>A member of the IT team dedicated to IT Disaster or an external consultant should undertake a project to introduce effective IT Disaster and User Business Continuity Plans, which would include:</p> <ul style="list-style-type: none"> • User agreement on suitable recovery times for key systems. • Agreement between IT and Users on timescales for recovery of key application systems. • An estimate of the cost of disaster arrangements to meet user recovery requirements. • Issue of an IT Disaster Strategy to deliver user requirements. • User documentation on actions required to continue business while the system is unavailable. • Production of an IT Disaster Recovery Plan stating actions required by IT, prior to, during and subsequent to an IT Disaster. • Rigorous testing of plans on a regular basis. 		
<p>Rationale</p>		
<p>Currently an IT Disaster Plan, including local business plans, does not exist to enable the timely recovery of IT services, systems and communications, following a serious IT incident.</p> <p>This has been raised in previous IT General Control Audits. It is a key security issue; the impact of a serious IT incident without suitable contingency plans would seriously disrupt every aspect of the Council's business for many months.</p> <p>In order to progress this important area it is suggested that a member of staff is allocated the work as a dedicated project or a consultant is appointed to deliver a solution.</p> <p><i>Partially Implemented. IT Disaster Planning is an additional option offered by external consultants as part of the implementation of a new back-up and recovery strategy, currently being implemented.</i></p>		
<p>Management Response</p>		
<p>The recently completed back up and recovery project provides much improved capability for the recovery of IT systems. IT Recovery Plans will now be prepared on the basis of the new arrangements.</p> <p>However the wider business continuity arrangements are beyond the capacity and resources of the current IT Department and consideration should be given to allocation elsewhere.</p>		
<p>Revised Implementation Deadline:</p>		<p>31 December 2011</p>

Recommendation 2	Responsibility: Technical Support Unit	Priority: 2
<p>The ground floor glass windows, providing access to server and communications rooms from the public street, should be reinforced with security guard protection.</p>		
<p>Rationale</p>		
<p>There are external windows to both the server room and communication room on the ground floor of the Town Hall. The server room window has frosted glass, and communications room has plain glass.</p> <p>There is a risk of break-in to the rooms and vandalism to the servers. The result would be severe disruption of and interruption to business.</p> <p>Protecting the computer room equipment by installing window guard protection would significantly reduce the risk, at a minimal cost.</p> <p>The current position provides inadequate physical security to network and server equipment and is in breach of the Code of Connection.</p> <p><i>The Technical Support Unit will aim to implement by 30.9.10.</i></p>		
<p>Management Response</p>		
<p>Completed.</p>		
<p>Revised Implementation Deadline:</p>		<p>Implemented</p>

Recommendation 3	Responsibility: IT Manager	Priority:	2
<p>The Council should ensure a procedure is documented relating to the regular checking of all UPS equipment. (For key servers, there should be server controllers within the UPS to provide automatic closedown out-of-hours.)</p>			
<p>Rationale</p>			
<p>The risk review undertaken by IT Services identified that current software does not allow automatic close-down of systems should there be a power failure out-of-hours. In addition, there are no written procedures to ensure that the UPS equipment is checked on a regular basis, although some of the UPS equipment self check.</p> <p>Without the above controls and disciplines, there is a danger of business disruption, caused by the failure to achieve a controlled closedown, following a power failure.</p> <p><i>Through discussion with the Networks Team Leader we were informed that this recommendation has not been implemented.</i></p>			
<p>Management Response</p>			
<p>Accepted.</p>			
<p>Revised Implementation Deadline:</p>			<p>30 June 2011</p>

Recommendation 4	Responsibility: IT Manager	Priority:	2
<p>IT Services should overhaul the server room and all redundant kit and unnecessary furniture should be removed.</p> <p>Once the server room is clear consideration should be given as to whether it is feasible to move the communications equipment into the server; alternatively, if a move is too costly, a small cooling device (e.g. domestic cooler) could be installed within the comms room.</p>			
Rationale			
<p>The Internal Audit review identified that there is no loose cabling in the vicinity of the IT processing area, except behind certain server boxes. However, there appears to be redundant equipment and spare desks in the server room. An overhaul of the room would provide more space, and possibly enable the communications equipment to be moved to the server room, addressing the concern of overheating in the comms room; subject to a cost evaluation of the transfer. Alternatively a small domestic cooler would help reduce heat in summer.</p>			
<p><i>Internal Audit viewed the server room; some equipment had been removed, although there was still some redundant kit. In addition, the comms room, where cabling removal is taking place, has boxes and redundant equipment. There is no cooling device in the comms room. The Technical Support Unit will monitor temperature in comms room and if found to overheat will take action to control temperature.</i></p>			
Management Response			
<p>TSU have confirmed the cooling is adequate.</p> <p>Surplus kit has been removed but note that this now needs action again (as further servers have been decommissioned).</p>			
Revised Implementation Deadline:			31 May 2011

Recommendation 5	Responsibility: IT Manager	Priority:	2
<p>IT Services should reconsider their back-up strategy to only store weekly tapes in a remote location.</p>			
<p>Rationale</p>			
<p>Current Council procedure requires back-up media is stored in a relatively secure remote safe on a weekly basis. However, the major issue is that if an IT incident severely damaged the server room area, the data on the recovery tapes could be up to a week old. Therefore, the frequency of this control measure may benefit from formal management review.</p> <p><i>A new back-up strategy is to be introduced in 2010. This may involve saving to disk and then electronically transmitting to a remote site.</i></p>			
<p>Management Response</p>			
<p>Use of remote disc storage did not form part of current solution due to additional cost. It remains a possible future option but for the present, one set of tapes per weekly cycle is considered adequate.</p>			
<p>Revised Implementation Deadline:</p>			<p>No Further Action</p>

Recommendation 6	Responsibility: IT Manager	Priority:	2
<p>IT Management should ensure that Cisco network management facilities are introduced as part of the project being undertaken with CAE IT Services on IP addressing.</p>			
<p>Rationale</p>			
<p>The Council only has limited monitoring and diagnostic software in place, which is provided within the windows operating system. Effective monitoring tools and diagnostic software will enable any problems on the network to be identified swiftly and corrective action taken. Work planned with CAE IT Services to resolve IP addressing issues, associated with Code of Connection requirements, should result in the introduction of Cisco Network Management Monitoring tools.</p> <p><i>The proposed exercise with CAE relating to IP addressing has been delayed.</i></p>			
<p>Management Response</p>			
<p>The IP Address changes are taking place during period November 2010 to January 2011. Network tools have been purchased and are being introduced as part of the project.</p>			
<p>Revised Implementation Deadline:</p>			<p>30 April 2011</p>

Recommendation 7	Responsibility: IT Manager	Priority:	2
<p>The Council should ensure a record is maintained of key measures of IT performance, such as Internet and email availability.</p>			
<p>Rationale</p>			
<p>The Council does not currently have procedures in place to report on system performance. Such reporting and monitoring of usage and performance could be useful in providing management with an objective picture of current network performance.</p> <p><i>We were informed by the Networks Team Leader that the Council's WebSurf security software could be used to provide the necessary information.</i></p>			
<p>Management Response</p>			
<p>Ongoing.</p>			
<p>Revised Implementation Deadline:</p>			<p>31 March 2011</p>

Recommendation 8	Responsibility: IT Manager	Priority:	2
<p>The Council firewall should provide “logging” which records external access to the internal network and highlights attempted security breaches. Copies of such reports should be provided to the IT Department.</p>			
<p>Rationale</p>			
<p>The Council firewall is managed externally by CAE IT Services. The Council has not received any details of centralised logging to collate security events and threats for security analysis. Without such controls and the provision of associated information in place, there are increased risks to the Council’s IT environment. It is understood that a project is underway with CAE IT Services which will deliver security logs and alerts.</p> <p><i>We were informed by the Networks Team Leader that the Council’s security software could be used to provide the necessary information.</i></p>			
<p>Management Response</p>			
<p>A system and event logging system (Juniper STRM) has been introduced, being one of the requirements of the GC Code of Connection.</p>			
<p>Revised Implementation Deadline:</p>			<p>Implemented</p>

Recommendation 9	Responsibility: IT Manager	Priority:	2
<p>The Networks Team Leader should undertake a risk assessment relating to the resilience of communications links between the Town Hall and remote sites.</p>			
<p>Rationale</p>			
<p>Key Town Hall applications are used mainly by the Services based at the Town Hall. There are a number of remote sites, such as the Cemetery, Museum, TIC and Neighbourhood Services, which use data and telephony links to the Town Hall. In addition, there is a link to South Lakeland District Council for the provision of mutually shared services.</p> <p>However, there is little resilience in terms of links to remote sites and in view of the increasing importance of IT communication, particularly the link to SLDC.</p> <p>A regular risk assessment should be undertaken to assess whether the implementation of more resilient communications is justified.</p> <p><i>Through discussion with the Networks Team Leader we were informed that this recommendation has not been implemented.</i></p>			
<p>Management Response</p>			
<p>Whilst this would be best practice, current resources available in IT Services mean this action is now unlikely to be progressed for some time; it will be more appropriate to undertake following IT Service review.</p>			
<p>Revised Implementation Deadline:</p>			<p>31 December 2011</p>

Recommendation 10	Responsibility: IT Manager	Priority:	2
<p>The IT Department should undertake a network risk assessment to identify the major threats, and describe the controls in place or plans to address the threats.</p>			
<p>Rationale</p>			
<p>The Council does not have a specific network security risk assessment document, although there is reference to this within the information security policy.</p> <p>The Information Security Policy for IT Services states 'Network access control will be documented' but does not cross-reference this to a document.</p> <p>A risk assessment helps to ensure that a consistent and efficient approach is adopted to network security.</p> <p><i>Through discussion with the Networks Team Leader we were informed that this recommendation has not been implemented.</i></p>			
<p>Management Response</p>			
<p>This requires formalising, awareness is in place, the process will be documented.</p>			
<p>Revised Implementation Deadline:</p>			<p>31 December 2011</p>

Recommendation 11	Responsibility: IT Manager	Priority:	2
<p>IT Services management should produce a formal report showing required and actual privileges allocated to IT Services staff.</p>			
<p>Rationale</p>			
<p>Within the Borough Council's IT Services it has been the practice (as reported in the 2006 IT General Controls audit) that a group system administration account be used. However, the use of group ID/passwords increases the risk of unauthorised access, and reduces accountability by not identifying individual users.</p> <p>Every user, with system privileges, is now given his/her own ID, and appropriate privileges are allocated. The next step is to ensure that no use is made of the group system user account, by changing the password and not disclosing the new password.</p> <p><i>Through discussion with the Networks Team Leader we were informed that this recommendation has not been implemented.</i></p>			
<p>Management Response</p>			
<p>Accepted, this will be resolved.</p>			
<p>Revised Implementation Deadline:</p>			<p>30 June 2011</p>

Recommendation 12	Responsibility: IT Manager	Priority:	2
<p>There should be an access control policy/user registration procedure for remote access to the Council network. All remote user access should be protected by strong authentication, e.g. one time password token.</p>			
<p>Rationale</p>			
<p>Access for remote users to the Council network is via the web. A remote access control policy does not exist, and access is not supported by strong authentication (token).</p> <p>External remote users, can be based anywhere and cannot be controlled in the same way as internal users. Therefore, a remote access policy will help to prevent unauthorised access, and strong authentication greatly reduces the threat of hacking.</p> <p><i>The Council is considering using a third party strong authentication product via Liberata.</i></p>			
<p>Management Response</p>			
<p>Remote access arrangements are being strengthened in line with GC Code of Connection requirements. Access will be permitted only from approved users, having dedicated council equipment and with two factor authentication. Policy is being amended accordingly.</p>			
<p>Revised Implementation Deadline:</p>			<p>31 March 2011</p>

Recommendation 13	Responsibility: IT Manager	Priority:	2
<p>The Council should identify a member of staff to manage the full implementation of the TrackIT Helpdesk software, or alternatively the work should be allocated to an outside contractor.</p>			
<p>Rationale</p>			
<p>The helpdesk software TrackIT was obtained by the Borough Council in 2007/08 and parts of the system relating to inventory of assets have been implemented. However, as yet the helpdesk aspects have not been implemented. This software is critical to the effective delivery of the IT service and to provide monitoring to ensure standards are maintained.</p> <p><i>Through discussion with the IT Manager we were informed that this recommendation has not been implemented.</i></p>			
<p>Management Response</p>			
<p>This has been partially implemented, work started on correctly identifying assets will continue.</p>			
<p>Revised Implementation Deadline:</p>			<p>Partially Implemented</p>

Recommendation 14	Responsibility: IT Manager	Priority:	2
<p>The IT Manager should agree with CAE IT Services a service agreement covering the management and maintenance of the Council firewall. This should include the associated security and documentation requirements.</p>			
<p>Rationale</p>			
<p>Firewall Support is provided to the Council by CAE IT Services. CAE have issued a support agreement to the Council's IT Services, which covers general IT support and advice, although the firewall duties were not specified. Such information is needed to ensure adequate security over the firewall.</p> <p><i>Through discussion with the IT Manager we were informed that this recommendation has not been implemented.</i></p>			
<p>Management Response</p>			
<p>Accepted, this will be actioned.</p>			
<p>Revised Implementation Deadline:</p>			<p>31 July 2011</p>

Recommendation 15	Responsibility: IT Manager	Priority:	2
<p>All users should be requested to confirm that they will abide by the requirements of the Data Protection, Code of Connection and Borough Council; as documented in the Council's Information Security Policy and associated policies; and that electronic communication and Internet access may be intercepted and monitored.</p> <p>The most effective way to achieve this would be for confirmation on-line, on an agreed date and then periodically (possibly annually or when there is a change to the policy).</p>			
Rationale			
<p>New documentation associated with the Code of Connection has been issued; and all staff with access to GSi are required to sign a new usage form. It is also understood that all new staff will also be required to sign this form, although this process has not as yet been implemented.</p> <p>An effective way to protect the integrity and confidentiality of the Council's information is to make sure that all staff understand the IT Security requirements and are signed up to meeting these requirements.</p> <p><i>The IT Manager stated that new staff and all staff required to access GSi sign a new usage form. However, this does not cover all existing users. The use of on-line usage acceptance has, as yet, not been adopted.</i></p>			
Management Response			
<p>Whilst this would be best practice, current resources available in IT Services mean this action is now unlikely to be progressed. However as use of GC increases and further services are included, more staff are being covered by the new usage agreement.</p>			
Revised Implementation Deadline:			30 April 2011

Recommendation 16	Responsibility: IT Manager	Priority:	2
<p>The Information Incident reporting procedures, referred to in the Council's Information Security Policy, should be produced, issued and enforced.</p>			
<p>Rationale</p>			
<p>There is reference to Incident Reporting within the Council's Information Security Policy. However, the process has not as yet been implemented, e.g. production of full incident reporting and analysis procedures, use of a log to record incidents, etc.</p> <p>Without such documentation there is a potential weakness to the Council's Information Security procedures.</p> <p><i>We were informed that this recommendation has not been implemented.</i></p>			
<p>Management Response</p>			
<p>Accepted, this will be actioned.</p>			
<p>Revised Implementation Deadline:</p>			<p>30 June 2011</p>

Recommendation 17	Responsibility: Technical Support Unit	Priority:	2
<p>All cabling both within and outside the Council premises should be checked to confirm it is still in use. Redundant wiring should be removed. Live wiring, particularly outside the building or public areas inside the building, should be housed within appropriate conduit. Additionally, all wiring should have clear identification marking.</p>			
<p>Rationale</p>			
<p>There is loose wire on the outside of the building, in a public area by windows close to reception, and in the cellar area, where the large number of wires has caused the cabling to spill outside the conduit.</p> <p>It is understood that some of the cabling is no longer in use. Excessive wiring is untidy and sometimes results in wiring overflowing from the protective conduits. Where live wiring is outside the building or in public areas within the building it is vulnerable to damage. It may be difficult to identify purpose of some cabling and therefore whether it is still needed, indicating the need for identification marking on all cabling.</p> <p><i>Internal Audit were able to confirm that wiring located externally to the building had been removed. Technical Support intend to review and where appropriate remove much of the cabling, particularly in the cellar area, which relates to redundant telephony wiring.</i></p>			
<p>Management Response</p>			
<p>This will be progressed, where financial resources permit; available contract resource may be used to assist.</p>			
<p>Revised Implementation Deadline:</p>			<p>31 March 2012</p>

Recommendation 18	Responsibility: IT Manager	Priority:	3
<p>The Council should ensure the problems associated with WSUS (Windows Server Update Services), which impacts on patching of PC and server software are addressed. Additionally, there should be a written protocol covering patching of software.</p>			
<p>Rationale</p>			
<p>Internal Audit identified that an issue currently exists associated with patching with the PC WSUS server, which the Council's IT Services are currently trying to address. However, and additionally, the process is not supported by a formal written procedure.</p> <p><i>The Networks Team Leader stated that problems associated with WSUS regarding patching had now been resolved. However a written protocol on patching of software has, as yet, not been produced.</i></p>			
<p>Management Response</p>			
<p>Accepted, written protocol to be produced.</p>			
<p>Revised Implementation Deadline:</p>			<p>30 September 2011</p>

Recommendation 19	Responsibility: IT Manager	Priority:	3																								
The IT Manager should review current entry rights to the server room, with a view to limiting access to those who use the server room on a regular basis.																											
Rationale																											
Entry to the Council's server room is by card and access permissions are restricted to staff approved by the IT Manager. There is a report Net2, which identifies who has access to the server room; this is reviewed by the IT Manager on a quarterly basis, the most recent being March 2009. The following currently have access:																											
<table border="1"> <thead> <tr> <th>Department</th> <th>Number</th> </tr> </thead> <tbody> <tr> <td>Admin Services</td> <td>6</td> </tr> <tr> <td>Admin</td> <td>5</td> </tr> <tr> <td>Admin</td> <td>14</td> </tr> <tr> <td>Directors Office</td> <td>1</td> </tr> <tr> <td>Personnel</td> <td>1</td> </tr> <tr> <td>Fire</td> <td>1</td> </tr> <tr> <td>FTS</td> <td>1</td> </tr> <tr> <td>Audit</td> <td>1</td> </tr> <tr> <td>Community Services</td> <td>1</td> </tr> <tr> <td>Design Services</td> <td>1</td> </tr> <tr> <td>Total</td> <td>32</td> </tr> </tbody> </table>				Department	Number	Admin Services	6	Admin	5	Admin	14	Directors Office	1	Personnel	1	Fire	1	FTS	1	Audit	1	Community Services	1	Design Services	1	Total	32
Department	Number																										
Admin Services	6																										
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FTS	1																										
Audit	1																										
Community Services	1																										
Design Services	1																										
Total	32																										
A key objective of computer room security is to restrict entry to a minimum number of staff, who require access to undertake their duties. The most effective control would be achieved by restricting access to IT management, IT staff who explicitly require access, the Audit Manager for inspection purposes, two or three admin staff who support IT operations duties and emergency access.																											
<i>The IT Manager continues to review access and has reduced the number to 28, the intention is to reduce further. There are three cards marked as spare. It is suggested that access is removed, and then can be added on the day access is required.</i>																											
Management Response																											
Accepted.																											
		Revised Implementation Deadline:	31 May 2011																								

Recommendation 20	Responsibility: IT Manager	Priority:	3
<p>The process for managing visitor access to the restricted server room area should be documented and/or referred to in the Information Security Policy.</p>			
<p>Rationale</p>			
<p>There is a log in the server room for visitors and an internal memo to IT staff re computer room visitors. The control is not documented.</p> <p>In order that this control is consistently enforced IT should document the procedure or include reference to it in the Information Security Policy.</p> <p><i>Procedure not in place. There are few entries in the visitors book and there have been a small number in 2010. There are a range of external support staff using the room and their details should be entered.</i></p>			
<p>Management Response</p>			
<p>Accepted, to be introduced.</p>			
<p>Revised Implementation Deadline:</p>			<p>31 May 2011</p>

Recommendation 21	Responsibility: IT Manager and Technical Support Unit	Priority:	3
<p>Staff accessing the server room should be advised only to use the fire fighting appliances, if they have been formally trained. (Fire notices should be consistent with this instruction.) Alternatively, all staff could be provided with a fire fighting awareness session by those responsible for Health and Safety.</p>			
<p>Rationale</p>			
<p>The fire notice within the server room indicates that for minor fires the appliances should be used. However, a member of IT staff trained in fire safety, expressed the view that appliances should only be used by trained individuals, as without training there is an increased risk to the safety of staff.</p> <p><i>The IT Manager stated he had raised the issue with the H & S Officer but had not received a reply. The Technical Support Unit Manager stated that the matter would be resolved over the next few months.</i></p>			
<p>Management Response</p>			
<p>This will be resolved.</p>			
<p>Revised Implementation Deadline:</p>			<p>31 March 2011</p>

Recommendation 22	Responsibility: Technical Support Unit	Priority:	3
<p>IT Services should check the “power switch” to establish whether it controls server room power. If so it should be labelled; if not the method of isolating the server room and switching off the power should be established.</p>			
<p>Rationale</p>			
<p>It may be necessary to isolate the Council's server room and switch off the power, should a minor incident, such as a fire, occur.</p> <p>There is a switch in the server room located by the windows, the purpose of which is uncertain, but may be a power-off switch.</p> <p><i>Internal Audit visited the server room with the IT Manager. The switch remains but is not identified as a power-off switch, and there appears no other switch. Therefore still to be resolved.</i></p>			
<p>Management Response</p>			
<p>This will be resolved.</p>			
<p>Revised Implementation Deadline:</p>			<p>31 March 2011</p>

APPENDIX 1

AUDIT FRAMEWORK

Coverage

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- Physical Security
- Operating Procedures and Staff Training
- IT Disaster and Business Continuity
- Network Management
- IT Helpdesk and IT Service Performance
- PC Procurement, Management and Control
- Management of Internet Access and Email
- Management of Contractors
- Information Asset Management and Classification
- System Planning and Acceptance, and Change Control
- Project Management
- Service Support Agreements
- Application Systems Access Control

Methodology

The key procedures followed were:

- determine specific management objectives for each area under review; and
- report findings, with practical recommendations for improvement where appropriate.

Performance

Auditor: David Widger

The fieldwork was performed: July 2010.

All final Internal Audit reports will be presented to the Council's Audit Committee.

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 10-14
PAYROLL

Executive Summary

Introduction

Salaries and expenses of Council Officers, and Member's allowances and expenses are processed within the Borough Treasurer's Department. The overall payroll is processed using a package supplied by Selima Software Ltd.

During the period of the audit there were 180 full time, 115 part time and 49 casual staff employed by the Council, with a gross salary at 15 October 2010 of £3.6m. In addition, there are 39 Borough Councillors included on the system for the payment of attendance allowance, travelling expenses and the reimbursement of costs.

Audit Objectives

An audit of this system forms part of the agreed 2010/11 programme. The audit objectives were to evaluate and test the internal controls over the Payroll system. The scope and objectives of the audit were discussed and agreed in advance with Chris Butler, Systems and Control Accountant.

Audit work included a control evaluation of the system design, and testing of the operation of key controls. Details of the audit methodology are provided in Appendix 1.

Key Points
Substantial Assurance
Five minor issues
Seven Previous Recommendations

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system, there are weaknesses, which put some of the system objectives at risk. We have made five Priority 3 recommendations which relate to:

- considering the performance of an independent annual review of the payroll for a sample of employees;
- producing, authorising and retaining payroll reports on a consistent basis;
- ensuring that driving licence checks are regularly performed on all officers claiming mileage expenses;
- ensuring that entitlement to telephone/broadband rental payments for Members can be substantiated by supporting documents; and
- considering the requirement for Members to provide petrol receipts, milometer readings and undergo driving licence and insurance checks, in line with requirements for officers.

Internal Audit reviewed the seven recommendations made in audit report 08-21, dated February 2009. One recommendation has been implemented and six recommendations remain outstanding, which concern:

- independently reviewing changes to standing data are input by officers. (Priority 2);
- independently checking the calculation of initial pay for starters and final pay for leavers, for accuracy. (Priority 2);
- ensuring that subsistence claims are consistently accompanied by supporting receipts. (Priority 3);
- ensuring that Officer's expense forms are initialled to confirm they have been checked for accuracy by the Payroll Officer. (Priority 3);
- considering introducing a pro-forma to document the calculation of pay for new starters. (Priority 3); and
- ensuring current versions of Officers and Members claim forms are available on the Council's Intranet facility. (Priority 3).

Internal Audit also reviewed the outstanding recommendation made in Audit Report 07-17, dated December 2007. The recommendation remains outstanding and concerns ensuring overtime and subsistence claims are completed on the correct forms.

Management Response

We have received a constructive management response from Chris Butler, Systems & Control Accountant, Jeff Bright, Assistant Director (Personnel & Performance) and Jon Huck, Democratic Services Manager accepting each of our recommendations.

Acknowledgement

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

Recommendation 1	Responsibility: Systems and Control Accountant	Priority: 3
<p>The Council should consider performing an independent annual review of the payroll for a sample of employees.</p>		
<p>Rationale</p>		
<p>The Payroll Officer confirmed that a procedure was not in place to ensure that an independent check of a sample of salaries is performed at least annually. This additional control would provide further assurance regarding the accuracy and payment of transactions from the Payroll System.</p>		
<p>Management Response</p>		
<p>Accountants compare actual salaries with budget figures when the following year's salary budgets are being prepared. To ensure the integrity of the Payroll system a sample will be selected and a manual calculation performed. This will then be checked against a monthly payline.</p>		
Accepted	Implementation Deadline:	28 February 2011

Recommendation 2	Responsibility: Systems and Control Accountant	Priority: 3
<p>The Council should ensure that Payroll reports are produced, authorised and retained on a consistent basis.</p>		
<p>Rationale</p>		
<p>Internal Audit reviewed a sample of six months payroll reports and identified:</p> <ul style="list-style-type: none"> • The ‘BACS Preparation Report’ had been authorised by the Borough Treasurer or Deputy Borough Treasurer on four of the six months in the sample (not signed May & October); • The ‘Employee Details – New Starters’ reports had been signed confirming accuracy by the Payroll Officer for 5 months, however, June 2010, although annotated as checked by the Payroll Officer, had not been signed; • an ‘Employee details – new starters’ report had been produced for five months within the sample. However, a report was not on file for April 2010; and • the Payroll CHAPS form had been authorised by the Deputy Borough Treasurer on three of the months in the sample, the October 2010 payment was not due at the time of the audit review. However, the CHAPS forms for the payments relating to April and May 2010 were not held on file. <p>These weaknesses may not provide the Council with adequate assurance over the performance of internal control and reconciliation procedures.</p>		
<p>Management Response</p>		
<p>Officers have been reminded the all forms should be suitably signed, dated and retained on file.</p> <p>With regard to the “New Starters” report for April 2010, there were no new starters in that month and the Payroll system does not produce a ‘nil return’ report in these circumstances.</p>		
Accepted	Implementation Deadline:	Immediate

Recommendation 3	Responsibility: Personnel and Systems and Control Accountant	Priority: 3	
<p>The Council should ensure that driving licence checks are regularly and consistently performed on all officers claiming mileage expenses.</p>			
<p>Rationale</p>			
<p>Internal Audit reviewed a sample of fifteen expense claims, nine of which related to Motoring Expenses. For the sample, seven claimants had lease cars and two were claiming for use of their own vehicle. The following issues were identified:</p> <p>For the seven lease cars, copies of driving licences were present on file, however, in six of the seven cases there was no evidence of a regular check being made, to confirm a valid licence was still held.</p> <p>For the two officer owned cars, copies of driving licences were present on file, however, in one case there was no evidence of a regular check being made regarding the licence. (It was noted the annual verification of the outstanding licence had been requested from the member of staff.)</p>			
<p>Management Response</p>			
<p>Systems and Control Accountant - Reminders for Lease car drivers' licences have been issued since this audit has been completed.</p> <p>Assistant Director (Personnel & Performance) – Accepted.</p>			
Accepted	Implementation Deadline:	Immediate	

Recommendation 4	Responsibility: Systems and Control Accountant	Priority: 3
<p>The Council should ensure that entitlement to telephone/broadband rental payments for Members can be consistently substantiated by supporting documents.</p>		
<p>Rationale</p>		
<p>Internal Audit selected a sample of ten claims made by Members including travel and "Extras", six of the claim forms included telephone/broadband rental payments.</p> <p>However, supporting documentation was not available in five cases to confirm the correct telephone/broadband rental has been paid.</p>		
<p>Management Response</p>		
<p>The Council does not stipulate which telecoms provider or package Members should use, therefore the Payroll Officer receives claims for a variety of telephone and broadband tariffs. Where an enhanced telecom service is provided, reimbursement is for less than the invoiced amount.</p> <p>Management Team will be asked to consider Members' current allowances, with referral to the Independent Remuneration Panel as appropriate.</p>		
Accepted	Implementation Deadline:	31 July 2011

Recommendation 5	Responsibility: Democratic Services Manager	Priority: 3
<p>The Council should consider requiring Members to provide petrol receipts and perform driving licence and insurance checks, in line with requirements for officers.</p>		
<p>Rationale</p>		
<p>Members are required to submit claims for expenditure incurred whilst on Council Business upon the relevant expense claim forms; and such claims must reach the Payroll Officer by the 3rd day of each month to facilitate payment on the pay date of the 15th of each month.</p> <p>For the sample of ten Member expense claims submitted in 2010/11, receipts were produced for two out of three transactions where a receipt would be appropriate. Receipts for fuel are not requested for Members, therefore, VAT is not being recovered.</p> <p>Further, Internal Audit were unable to identify any procedure in place to monitor Members' possession of a current/valid driving licence, current/valid motor insurance cover or a valid MOT certificate for the vehicle identified in the claim.</p>		
<p>Management Response</p>		
<p>After the Council elections in May 2011 there will be a new Council with a term of four years. All Councillors will be requested to provide:-</p> <ul style="list-style-type: none"> i. Receipts for fuel ii. Current valid driving licence iii. Current valid MOT certificate for the vehicle identified in the claim <p>before they can claim for using their vehicles on Council business.</p>		
Accepted	Implementation Deadline:	31 May 2011

Previous Recommendations	Responsibility: Systems and Control Accountant
<p>The Council should implement the outstanding recommendations from the previous audit report 08-21, dated February 2009, namely:</p> <ol style="list-style-type: none"> 1) The Council should ensure that changes to the Payroll system for employee standing data are input and checked by separate officers. (Priority 2) 2) The Council should ensure that the calculation of the initial pay for starters and final pay for leavers is checked by a second officer to confirm accuracy. (Priority 2) 	
<p>Rationale</p>	
<ol style="list-style-type: none"> 1) Employee details/amendments are received by the Payroll Officer from the Personnel Department, employees or outside agencies. Employee personal details such as bank account numbers and home addresses are input when the employee commences work. The details are entered onto the system and a data input report is generated. The data input report and forms are returned to the Payroll Officer who checks the accuracy of the posting. Internal Audit selected a sample of fifteen amendments to standing data from the 'Employee Changes Audit' Report and identified that eleven had been input and checked by the same officer. 2) The Personnel Department provide the Payroll Officer with details of new starters or leavers to the organisation. In addition, the Payroll Officer receives a "Notification of Appointment" form or an "Exit Checklist" from the Personnel Department, which details start/leaving dates, salary level, hours worked, holiday, overtime or other sums owing. The initial/final payment is calculated manually by the Payroll Officer, including deductions and any credits; these details are added to data entry forms and input accordingly. <p>However, specific sample testing of ten initial pay and ten final pay calculations identified that on each occasion a check by a second officer had not been recorded and on two occasions an error had been made in the manual calculation.</p>	
<p>Management Response</p>	
<ol style="list-style-type: none"> 1) The "Employee Changes Audit" report records the name of the latest officer to update a record, therefore if the Payroll Officer has cause to amend input made by someone else, the system records the Payroll Officer's name. Officers will be asked to sign all original source paperwork once input. 2) Accountants will be asked to check the calculation of initial and final pay figures. 	
<p>Revised Implementation Deadline</p>	<p>28 February 2011</p>

Previous Recommendations	Responsibility: Systems and Control Accountant
<p>The Council should implement the outstanding recommendations from the previous audit report 08-21, dated February 2009, namely:</p> <ul style="list-style-type: none"> 3) The Council should ensure that subsistence claims are consistently accompanied by supporting receipts. (Priority 3) 4) The Council should ensure that Officers' expense claims are initialled to confirm they have been checked for accuracy by the Payroll Officer. (Priority 3) 	
Rationale	
<p>Members and Officers are required to submit claims for expenditure incurred whilst on Council Business at agreed and statutory rates which are set nationally by Government. Expenses are to be submitted on the relevant expense claim form; claims must be supported with either a petrol receipt dated on or before the journey, or a receipt for specific goods or services and claims must reach the Payroll Officer by the 3rd day of each month to facilitate payment on the pay date of the 15th of each month.</p> <ul style="list-style-type: none"> 3) Internal Audit selected a sample of ten Officers' and ten Members' travel and subsistence claims submitted in 2010/11 and identified for the sample of ten Member claims, receipts were produced for two out of three transactions where a receipt would be appropriate. For the sample of ten employee claims, unsupported expenditure had been reimbursed for three items. 4) A sample of ten Officers' expense claims and ten Members' expense claims were selected from the period April to September 2010. Internal Audit identified that there was no evidence of a check by the Payroll Officer other than the coding box being completed on each claim. 	
Management Response	
<ul style="list-style-type: none"> 3) The Payroll Officer will reimburse claims for admissible expenditure without receipts provided proper certification is in place. Where an expenditure item is not supported by a relevant receipt it is coded to specific codes which make deductions at the appropriate tax rate reducing the amount to be reimbursed. <p>Should the officers certifying claims reject unsupported expenditure the matter would no longer be an issue.</p> <ul style="list-style-type: none"> 4) The expense claims are checked against the "Data Entry" report before the Payroll is run to ensure that there are no omissions, however the Payroll Officer will sign all forms in future to evidence that a check has been made. 	
Revised Implementation Deadline	<ul style="list-style-type: none"> 3) Implemented as far as practicable 4) 28 February 2011

Previous Recommendations	Responsibility: Systems and Control Accountant
<p>The Council should implement the outstanding recommendations from the previous audit report 08-21, dated February 2009, namely:</p> <ul style="list-style-type: none"> 5) The Council should consider introducing a standard proforma to document the calculation of pay for new starters. (Priority 3) 6) The Council should include the current versions of employee and Member claim forms available on the Council's Intranet facility. (Priority 3) 	
Rationale	
<ul style="list-style-type: none"> 5) Where employees start their employment during the month the Payroll Officer is required to apportion the monthly pay. Internal Audit selected a sample of ten new employees from the 'New Starters – Employee Details' reports in 2010/11. The review identified that the calculation continues to be documented on a 'changes slip'. 6) Testing and observation of twenty claim forms, indicated that claimants are not always using the most recent forms and in some cases using photocopies, which do not always include guidance or declaration information. This may potentially weaken any intended internal control arrangements. 	
Management Response	
<p>It is accepted that there are a variety of forms currently in use.</p> <p>Consideration will be given to the type and number of forms in use. If practicable, standard forms will be made available on the Council's Intranet for use by Officers and Members.</p>	
<p>Revised Implementation Deadline 30 April 2011</p>	

Previous Recommendation	Responsibility: Systems and Control Accountant
<p>The Council should implement the outstanding recommendation from the previous audit report 07-17, dated December 2007, namely:</p> <p>The Council should:</p> <ul style="list-style-type: none"> a) ensure that claims for expenses are processed using the correct 'claim for overtime and subsistence allowance' form; and b) consider revising the form to include a standard declaration regarding validity/responsibility for expenses claimed. <p>(Priority 3)</p>	
Rationale	
<p>Internal Audit tested processed claim forms within 2010/11 and identified:</p> <ul style="list-style-type: none"> a) Six versions of the 'overtime and subsistence' form were in use, two versions of the 'reimbursement of car allowance' form and one version of the 'mileage claim' form was used. Further, two 'overtime and subsistence' forms stated the return deadline to be the 7th of the month when in fact the deadline is the 3rd of the month; and b) Declarations were included on the 'mileage claim' and 'reimbursement of car allowance' forms but not on the 'overtime and subsistence' form. 	
Management Response	
<p>It is accepted that there are a variety of forms currently in use.</p> <p>Consideration will be given to the type and number of forms in use. If practicable, standard forms will be made available on the Council's Intranet for use by Officers and Members.</p>	
Revised Implementation Deadline	30 April 2011

APPENDIX 1

AUDIT FRAMEWORK

Coverage

The review covered the following areas, which were agreed as part of the preliminary planning stage:

- payroll procedures;
- data input;
- payment procedures;
- new starters;
- processing of expenses;
- outputs and returns; and
- leaver's procedures.

Methodology

A system based audit approach has been used for this audit, involving the following key procedures:

- determine specific management objectives for each area under review;
- identify the risk applicable to each area;
- evaluate controls against each of the key risks;
- test key controls to establish whether they are operating as prescribed; and
- report findings, with practical recommendations for improvement where appropriate.

In addition, Internal Audit reviewed management's progress in implementing the agreed recommendations from our previous audit report.

Performance

Auditors: Sarah Mach and Ifor Jones

The fieldwork was performed: October 2010 to January 2011

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	<i>Evaluation</i>	<i>Testing</i>
<i>Unqualified</i>	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
<i>Substantial</i>	While there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk.	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
<i>Restricted</i>	Significant weaknesses have been identified in the system of control, which put the system objectives at risk.	The level of non-compliance identified places the system objectives at risk.
<i>None</i>	Control is weak, causing the system to be vulnerable to error and abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	<i>Recommendation</i>	<i>Follow Up</i>
<i>Priority 1</i>	Major issues that we consider need to be brought to the attention of senior management.	Follow-up will be performed at specific dates agreed with senior management.
<i>Priority 2</i>	Important issues which should be addressed by management in their areas of responsibility.	Follow-up of the recommendations will be performed by the end of the next audit year.
<i>Priority 3</i>	Minor issues, which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

AUDIT COMMITTEE	(D) Agenda Item 11
Date of Meeting: 8th March, 2011	
Reporting Officer: Borough Treasurer	
Title: Internal Audit Plan 2011-2012	
Summary and Conclusions:	
<p>Under Section 151 of the Local Government Act 1972, I have a responsibility to ensure the proper management of the finances of the Council. In order to achieve this, an Internal Audit function needs to be maintained to provide me with the assurance necessary to discharge my duties under section 151.</p>	
<p>The Internal Audit function examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner.</p>	
<p>Internal Audit is an independent and objective appraisal function established by the Council for reviewing the system of internal control. This is in compliance with the Accounts and Audit Regulations 2003 as amended, which specifically require a Local Authority to maintain an adequate and effective system of internal audit. This work is delivered by way of a risk-based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which needs approval by this Committee.</p>	
Recommendations:	
<p>Members are recommended to approve the plan for 2011-2012.</p>	

Report

The Internal Audit function is outsourced to Furness Audit. The Internal Audit function is part of the Borough Treasurer's Department.

The head of the service is required to prepare an annual audit plan after consultation with the Borough Treasurer.

The coverage of the internal audit work may vary from year to year depending on the risk factors and needs identified during the planning process.

For the year 2011-2012, it is proposed to carry out the programme shown below.

BARROW BOROUGH COUNCIL

INTERNAL AUDIT ANNUAL PLAN 2011/12

Audit	Significance Band	Directorate	Days
ANNUAL AUDITS			
Income Collection	1	Borough Treasurer's	15
Housing and Council Tax Benefits	1	Borough Treasurer's	35
Council Tax	1	Borough Treasurer's	12
Performance Management	2	Corporate Services	6
Business Rates (NNDR)	1	Borough Treasurer's	10
Risk Management	1	Corporate Services	9
Financial Information System	1	Borough Treasurer's	9
Budgetary Control	2	Borough Treasurer's	9
Treasury Management	2	Borough Treasurer's	7
Car Park Meter Income	2	Regeneration and Community Services	10
Payroll System Review	2	Borough Treasurer's	10
Payroll (inc. Expenses)	2	Borough Treasurer's	15
Accounts Receivable	2	Borough Treasurer's	10
Corporate Control/Governance	2	Corporate Services	5
Periodic Checks	2	Borough Treasurer's	16
Procurement (inc. Ordering)	2	Corporate Services	15
Accounts Payable	2	Borough Treasurer's	10
Housing Rents	2	Regeneration and Community Services	10
Standing Orders/Financial Regulations/Anti Fraud	2	Corporate Services/ Borough Treasurers	10

Housing Maintenance (Day to day repairs)	2	Regeneration and Community Services	18
IT Environment Audits	1		30
Contract Audit	1		40
RISK ASSESSED SYSTEMS			
Leisure Centre	3	Regeneration and Community Services	15
Disabled Facilities Grants	3	Regeneration and Community Services	10
Insurance	3	Borough Treasurer's	8
Asset Register/Property Portfolio	3	Regeneration and Community Services/Borough Treasurer's	10
Cemeteries and Crematoria	4	Regeneration and Community Services	8
Grounds Maintenance	4	Regeneration and Community Services	9
Personnel	4	Corporate Services	9
DESIGNATED ANNUAL AUDIT ACTIVITY			
Other Projects/Cash Floats (Annual)/Receipt Book Checks	-		24
Community Organisations (inc. Mayor's Account)	-		22
Fraud Hotline	-		8
Funding Checks/Grant Claims	-		15
NFI Responsibilities	-		25
AUDIT MANAGEMENT			
Implementation Review	-		10
Probity	-		12
Audit Administration/Advice	-		10
Audit Committee	-		6

Audit Management/ Planning/Reporting	-		10
External Audit Liaison	-		3
CONTINGENCY	-		5
TOTAL CONTRACT DAYS			530

(i) Legal Implications

Not Applicable.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

		Part One
AUDIT COMMITTEE		(D) Agenda Item 12
Date of Meeting:	8th March, 2011	
Reporting Officer:	Policy Review Officer	
<p>Title: Risk Management</p> <p>Summary and Conclusions:</p> <p>To provide Members with the Council's risk policy and proposed risk register for 2011/12.</p> <p>Recommendation:</p> <p>Members are invited to consider the report in advance of it going to the Executive Committee for approval.</p>		

Report

Management Board identified key corporate risks for the Council at their meeting of 9th February. In view of the substantial budget deficit and the consequent restrictions on resources Management Board are of the view that Council must now concentrate on business critical risks rather than including "community risks" where the council has little or no direct influence on key factors. The updated risk register reflects the Management Board's assessment of significant risks to the Council.

The risk register for 2011/12 attached at **Appendix 11** focuses on those business critical risks which are under the control of the Council. The community risks which are not under our control have been removed.

The status of these risks and progress against any action plans will continue to be reviewed on a quarterly basis and reported to Management Board, the Leader of the Council and the Audit Committee.

The risk policy has been updated to reflect changes to reporting lines from the Corporate Services Scrutiny Committee to the Audit Committee. The updated policy is attached at **Appendix 12**.

(i) **Legal Implications**

Not Applicable.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

	Threat	Likelihood	Impact	Score	Impact	Mitigating actions	Contingency actions	Responsible Officer
1	The Council faces £4M budget deficit for the period up to 2015	5	5	25	The Council fails to address the budget deficit resulting in the Council having insufficient funds to deliver its statutory duties and contracted services	The Council has set a budget to achieve the savings for 2011/12. The council will undertake a comprehensive spending review in 2011/12 to identify future savings reduce with the deficit	The Council will use some of its reserve funds to reduce the impact on service delivery and the pace of change.	Chief Executive and Borough Treasurer
2	Impact of the Council's comprehensive spending review on delivery of services	5	4	20	The spending review will challenge all services and if it is not properly managed may result in a loss of staff moral and customer confidence. The Council will endeavour to avoid or minimise compulsory redundancies	The service review will reflect the Council's updated key priorities. Some reduction in service is inevitable given the size of the budget deficit The Council will give a clear statement on priorities and will establish effective internal and external consultation and communication processes.	The Council will use its reserves to control the pace of change to suit the of the organisation and the community	Chief Executive and Borough Treasurer
3	Impact of redundancies and recruitment freeze on service delivery and staff.	5	4	20	Voluntary redundancies and vacancies may result in short-term pressure on service delivery with consequential impact on staff moral and customer satisfaction	Business critical posts will be exempt from the recruitment freeze. Any significant impact on service delivery will be communicated internally and externally pending the outcome of the spending review.	The Council's policy is to avoid or minimise compulsory redundancies. The Government has provided a transition grant to meet the costs the redesign of service delivery and any redundancy costs therefore it will not impact on Council Tax payers.	Chief executive and Director of Corporate Services

4	Failure to deliver Waterfront Barrow regeneration programme	4	4	16	This will damage the profile of barrow as a place to live and work. There will be a loss of local confidence and ineffective use of private sector resources	The Council has allocated sufficient capital funding to complete the site assembly. The Council and its partners have applied for Regional Growth Funding to support this project.	The project can progress in phases subject to the availability of funding.	Director of Regeneration and Community Services
5	Impact of pay review	4	4	16	Potential staff unrest. Increase in staff costs. Failure to agree the outcomes of the job evaluation process.	Following the implementation of the outcomes of the Council's spending review posts will be allocated salary scales based on the pay review.	An equal pay audit has been undertaken and no significant risks have been identified.	Director of Corporate Services
6	Council fails to achieve recycling targets	4	4	16	There will continue to be a shortfall in the budget unless the Council achieves a 40% recycling rate.	The Council continues to develop its recycling service to increase the amount of waste recycled. Any changes resulting from the implementation of the county wide waste strategy will need to be costed	The Council will continue to monitor county wide waste projections and will adapt its waste collection service appropriately.	Director of Regeneration and Community Services
7	The economy remains depressed	3	5	15	This will has a significant impact on the Council's revenue streams and may result in a larger than anticipated deficit	The Council will endeavour to maximise income streams and reduce costs	The Council monitors the budget on a regular basis and can review service delivery if required	Management team
8	Failure of external partner, service providers or contractors	3	5	15	This is likely to result in the suspension of some service while alternative service providers are identified	The Council monitors the position of service providers through regular client meetings and will undertake regular credit checks on our contractors	The Council retains the intellectual property and assets that will support continuity of services	Management team
9	The Council incurs significant uninsured losses	3	4	12	This could have a detrimental impact on the Council's reserves and its reputation	The Council risk management arrangements will minimise uninsured losses.		Borough Treasurer

10	Level of sickness worsens	4	3	12	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to maintain the current relatively low levels. The impact of elevated levels would only be moderate.		Director of Corporate Services
11	Not having appropriate governance arrangements in place	2	5	10	The Council may lose focus on the purpose of the authority and the wider outcomes for the community	The Council continues to monitor and strengthen its governance arrangements. These include: Audit and scrutiny functions. Treasury management Asset management Resource management Performance management Risk management		Director of Corporate Services
12	Failure to maintain H&S arrangements	2	5	10	Members of the public and Council employees could be put at risk by Council operations	The establishment of the Technical Services Team and the Health & Safety Management Board has strengthened the Council's H&S arrangements.		Director of Corporate Services
13	Council election and new system of administration	3	3	9	A large influx of inexperienced Elected Members may impact on the pace of change required to deal with the budget deficit.	The Council is preparing a comprehensive induction programme for Elected Members which will include		Director of Corporate Services
14	Failure of ICT systems	1	4	4	Failure of ICT systems may adversely affect service delivery	The Council has a disaster recovery strategy in place.		Director of Corporate Services



Risk Management Policy 2011

Author
Date published
Review date

Policy Review officer
April 2011
March 2013

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Risk management policy

Introduction and purpose

Barrow Borough Council is committed to delivering a balanced approach to risk management. We recognise that good risk management will support and enhance the decision making process, increase the likelihood of the council meeting its objectives and enable it to respond quickly to new pressures and opportunities.

Risk management is about understanding those things that could help or hinder us in trying to deliver our objectives.

Understanding and managing our threats or risks comes down to four questions:

- What's the worst that could happen to us?
- What's the likelihood of it happening?
- What would be the impact if it did? and
- What can we do about it (i.e. how can we prevent it from happening or what can we put in place to manage it if it should?)

Good risk management will also help us to explore and take up opportunities as they are identified.

Good risk management does not mean that we are required to take greater risks, nor that we avoid taking risks. Rather, good risk management gives us a better understanding of the risks and opportunities that we face and how we can best manage them.

The real value of good risk management lies in the benefits it will deliver. Those benefits will be varied in their nature and extent and some might be

more measurable than others, but they will all be important to the council's reputation and ability to deliver improved and value for money public services.

Some of the benefits we can expect to realise include:

- Supporting and enhancing the decision making process;
 - Improved public confidence in our ability to deliver services (our reputation);
 - Early warning of problems;
 - Prioritisation of resources;
 - Improved business planning by focussing on the outcome not the process;
- and

Barrow Borough Council's approach

The Council's approach to risk management has been developed to support the key requirements of good corporate governance:

Strong leadership: Senior managers and Elected Members will support and promote good risk management across the organisation.

Consistent: There will be consistency in our approach to risk management across the organisation. We will use a risk management framework to equip and support our staff so they can manage risks appropriately.

The approach to effective risk management will be based four very simple questions:

Identifying the risk: What's the best or worst that could happen to us?

Assessing the risk: What's the likelihood of it happening?
What would be the impact if it did?

Managing the risk: How can we prevent it from happening or what can we put in place to manage it if it should happen?

Recording the risk: How do we make sure that everyone is aware of the risk and how we are going to manage it?

Open and Transparent: Our approach to managing risks will be open and transparent and blame will not be attributed if decisions made in good faith turn out to be wrong. Staff and Members, should have access to information on our current risks and opportunities and how we are managing them. Corporate risks will be recorded in the Council's Risk Register, which will be published on the Council's intranet.

Accountable: There will be clear accountability for our risks across the whole of the organisation. Our risks will be open to regular internal audit and audit inspection by external agencies.

Appropriate risk-taking and innovation will be encouraged and promoted through a 'no blame' culture.

Delivery of effective risk management

Corporate risks

Management Board has identified a process for assessing corporate risks.

Risks will be identified in advance of the start of the municipal year and will be reviewed on a quarterly basis.

Risks will be scored using a five square matrix;

Impact / Likelihood	1: Insignificant	2: Minor	3: Moderate	4: Significant	5: Major
1: Almost never					
2: Unlikely					
3: Uncertain					
4: Likely					
5: Almost always					

For risks with a score of 15 or greater a SMART action plan will be developed to eliminate or mitigate the risks.

All risks will be recorded on a risk register that will be published on the Council's website

Barrow Borough Council will manage risks appropriately.

When managing and controlling our risks, our actions should be proportionate - the cost and time of our efforts should be in balance with the potential impact of the risk.

We should adopt four approaches to dealing with significant risks:

1: Tolerate the risk. As an organisation we should accept that sometimes it is appropriate to continue with activities even though we know that involve taking a risk. We should tolerate risks that we consider to be acceptable when:

- We can put controls in place to mitigate the risk.
- The risk cannot be mitigated cost effectively
- Although there is a risk with the activity the benefits significantly outweighs the disadvantage.

When identifying controls remember to establish the cost of the controls before implementing them

2: Treat the risk. This involves reducing the risk to an acceptable level either by containment actions or contingent actions.

Mitigating actions involve actions that can reduce the likelihood of occurrence or reduce the impact if it does occur. These are applied before the risk materializes.

Contingent actions involve having an action plan of what we can do to minimize the impact if the risk occurs. These are applied after the risk has materialized.

3: Terminate the risk: This involves doing things differently and thus removing the risk. This option is more applicable to operational risks but is limiting in terms of strategic risks

4: Transfer the risk to a third party: Examples of this include insurance or paying contractors to undertake some of the Council's functions. This is a good way of mitigating financial risks and buying in expertise from other organisations

Delivery of the annual objectives

The Council will use a similar approach for managing the risks that may affect delivery of the Council's annual objectives. The Policy Review Officer will agree risk assessment for the Council's objectives with appropriate managers. If there is a high risk of an objective not being achieved Management Team will determine whether an action plan is required to mitigate the risk.

Health and safety risks

Health and Safety risks will be covered in a separate policy.

Staff and Member responsibility

Executive Committee	Approve the statement of the council's Risk Management Policy Statement and subsequent revisions Consider the risk management implications when making decisions Agree the council's appropriate response to its highest risks
Member with responsibility for risk management	Be responsible for overview of the Council's risk management activities. Receive quarterly reports on risk management.
Audit Committee	Determine whether the risk register reflects the greatest threats to the Council. Review the Council's risk policy. Receive quarterly reports on risk management.
Management Team	Ensure that there is a robust framework in place to identify, monitor and manage the council's strategic risks and opportunities Management and quarterly review of the corporate risk register Receive regular reporting on corporate risks and identify necessary actions Demonstrate commitment to the embedding of risk management across the organisation.
Risk owner	Have responsibility for management of including development and implementation of action plans
All staff	Be aware of the risks and control mechanisms within their area of work Report any new risks to their line manager
Policy Review Officer	Develop and maintain risk register. Monitor the implementation of action plans Prepare reports for senior managers and Members

AUDIT COMMITTEE		Part One (D) Agenda Item 13
Date of Meeting: 8th March, 2011		
Reporting Officer: Policy Review Officer		
<p>Title: Governance Report</p> <p>Summary and Conclusions:</p> <p>To provide Members with an update of the progress being made towards preparing the Council's Annual Governance Statement.</p> <p>Recommendations:</p> <p>Members are invited to consider the report.</p>		

Report

The Council is currently collecting evidence to support the Annual Governance Statement. The evidence will support the six core principles defined in the CIPFA/Solace framework for delivering good governance.

These are:

1. Focusing on the purpose of the Authority and on outcomes for the community and creating and implementing a vision for the local area;
2. Members and Officers working together to achieve a common purpose with clearly defined functions and roles;
3. Promoting values for the Authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
5. Developing the capacity and capability of Members and Officers to be effective; and
6. Engaging with local people and other stakeholders to ensure robust public accountability

One piece of evidence is the Code of Corporate Governance which has been updated to include the role of the Chief Financial Officer. The latest version is attached as **Appendix 13**.

- (i) Legal Implications

Not Applicable.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil



Local Code of Corporate Governance 2011

Author	Chief Executive
Date published	April 2008
Latest review 2011: no changes made	
Review date	January 2012

Endorsed by Audit Committee July 2008

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Introduction

The Local Code of Corporate Governance is document that sets out the framework within which the Council conducts its business and affairs. The Council is required to conduct an annual review of the application and adherence to the Local Code of Governance and formally produce an Annual Governance Statement.

The preparation of the Annual Governance Statement is necessary to meet the statutory requirement set out in Regulation 4(2) of the Accounts and Audit (Amendment) (England) Regulations 2006.

Background

Every Council operates through a governance framework. The governance framework is an interrelated system that brings together legislative requirements, governance principles and management processes. Governance arrangements are not merely bureaucracy. Good governance means that, whatever executive arrangements are in place, the way the Council operates is based on sound decision making with an effective process to support it.

Delivering good governance in local government is based on six core principles emphasising the role of the Council in leading the community and the role of overview and scrutiny.

The governing body of any organisation has overall responsibility for direction and control. In local government the governing body is the Full Council. Barrow has a modified committee structure together with arrangements for overview and scrutiny.

The Council's Local Code of Governance has most recently been updated to comply with the 'Delivering Good Governance in Local Government' guidance note issued jointly by the Society of Local Authority Chief Executives and the Chartered Institute of Public Finance and Accountancy in June 2007.

Governance

Governance is about how the Council ensures that the right things are done in the right way, for the right people, in a timely, open, honest and accountable manner. This comprises the systems and processes, and cultures and values, by which the Council is directed and controlled and through which they account to, engage with and, where appropriate, lead the community.

The six core principles that good governance is based on are:

- (i) Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area;
- (ii) Members and officers working together to achieve a common purpose with clearly defined functions and roles;
- (iii) Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour;
- (iv) Taking informed and transparent decisions which are subject to effective scrutiny and managing risk;
- (v) Developing the capacity and capability of Members and officers to be effective;
- (vi) Engaging with local people and other stakeholders to ensure robust public accountability.

Responsibilities

Good governance is important to all involved in local government. However, it is a key responsibility of the Leader of the Council and the Chief Executive.

Full Council is responsible for:

- Agreeing the Council's constitution comprising the key governance documents;
- Agreeing the policy framework including the community strategy and other key strategies;
- Agreeing the budget.

Executive Committee responsible for:

- Proposing the policy framework and key strategies;
- Proposing the budget;
- Ensuring implementation of the policy framework and key strategies.

The Chief Executive is responsible for advising Members on policy and necessary procedures to drive the aims and objectives of the Council. The Chief Executive leads the Management Team consisting of the Director of Regeneration and Community Services, the Director of Corporate Services and the Borough Treasurer.

The Borough Treasurer, the Monitoring Officer and other Heads of Service are responsible for advising committees on legislative, financial and other policy considerations to achieve the aims and objectives of the Council and are responsible for implementing Members decisions for service performance.

Principle 1 - Focusing on the purpose of the Council and on outcomes for the community and creating and implementing a vision for the local area.

Leadership is exercised by clearly communicating the Council's purpose and vision and its intended outcomes for citizens and service users. The Council aims to ensure that users receive a high quality of service whether directly, or in partnership or by commissioning. The Council also aims to ensure the best use of resources and that taxpayers and service users receive value for money.

In pursuance of this principle the Council will:

- a) make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning and shaping the community strategy and local area agreements;
- b) review on a regular basis the Council's vision for the local area and its impact in the Council's governance arrangements;
- c) publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance;
- d) decide how the quality of service for users is to be measured and ensure that the information needed to review service quality effectively and regularly is available;
- e) decide how value for money is to be measured and ensure that the Council has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions;
- f) put in place effective arrangements to deal with a failure in service delivery;
- g) when working in partnership, ensure that there is a common vision underpinning the work of the partnership that is understood and agreed by all partners. The vision should:
 - be supported by clear and measurable objectives with targets and indicators
 - identify quality and cost drivers for deciding what services will be either provided or commissioned by the partnership.

Principle 2 – Members and officers working together to achieve a common purpose with clearly defined functions and roles.

Effective leadership requires clarity regarding the roles of executive and non-executive Members and officers, and respect and recognition for the scrutiny function. In addition to this constructive working relationship between Council Members and officers, mutual respect for each of these respective roles is vital.

Finally the Council needs to ensure that citizens understand the Council's role and the levels of service they can expect. This is particularly important where the district council operates alongside the county as well as parish and town councils.

In pursuance of this principle the Council will:

- a) set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually and the Council's approach towards putting this into practice;
- b) set out a clear statement of the respective roles and responsibilities of the Council's other committees and Members and senior officers;
- c) develop protocols to ensure effective communication between Council Members and officers in their respective roles;
- d) develop protocols to ensure that the Leader and Chief Executive negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained;
- e) set out the terms and conditions for remuneration of Members and officers;
- f) ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated;
- g) when working in partnership:
 - ensure that there is clarity about the legal status of the partnership
 - ensure that the roles and responsibilities of the partners are agreed so that there is effective leadership and accountability
 - ensure that Council representatives make clear to all other partners the extent of their Council to bind their organisations to partner decisions
- h) ensure that effective mechanisms exist to monitor service delivery;
- i) determine a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required;

Local code of corporate governance 2011

- j) ensure that effective management arrangements are in place at the top of the organisation;
- k) make the Chief Executive responsible and accountable to the Council for all aspects of operational management;
- l) make the Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control;
- m) make the Monitoring Officer responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes, regulations and other relevant statements of good practice are complied with.

Principle 3 – Promoting Council values and demonstrating the values of good governance through upholding high standards of conduct and behaviour.

High standards of conduct and effective governance can only be achieved if those who hold public office have the highest standards of behaviour and encourage others to do so by providing leadership by visibly embodying the Council's core values of listening, learning and delivering.

In pursuance of this principle the Council will:

- a) develop and maintain shared values including leadership values (openness, support and respect) both for the Council and its officers reflecting public expectations about the conduct and behaviour of individuals and groups within and associated with the Council;
- b) use the Council's shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the Council;
- c) develop and adopt formal codes of conduct defining standards of personal behaviour;
- d) develop and maintain an effective Standards Committee that acts as the main means to raise awareness and take the lead in ensuring high standards of conduct are firmly embedded within the local culture;
- e) put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice;
- f) put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and to monitor their continuing compliance and effectiveness in practice;
- g) in pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged.

Principle 4 – Taking informed and transparent decisions which are subject to effective scrutiny and managing risk.

Informed decision-making is a fundamental part of good corporate governance. It requires the Council to be both rigorous in the examination of options but also open to consider representation and views from all sectors of the community and policy development groups. Complementing this, the Council needs to have robust knowledge of the community needs and the quality of the services the Council are providing or commissioning. Finally the Council has to robustly manage the risks associated with these activities and ensure that the legal powers available are used but not exceeded.

In pursuance of this principle the Council will:

- a) develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;
- b) develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based;
- c) put in place arrangements so that conflicts of interest on behalf of Members and officers can be avoided and put in place appropriate processes to ensure that they continue to operate in practice;
- d) put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access;
- e) put in place effective transparent and accessible arrangements for dealing with complaints;
- f) develop and maintain an effective Audit Committee which is independent of the executive and scrutiny functions;
- g) develop and maintain an effective Standards Committee which lies at the heart of decision making and awareness raising on standards issues;
- h) ensure that those making decisions are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications;
- i) develop and maintain effective arrangements for determining the remuneration of senior staff;
- j) ensure that professional advice on matters that have legal or financial implications is available and recorded the well in advance of decision making and used appropriately;
- k) ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job;

- l) actively recognise the limits of lawful activity placed on them by the ultra vires doctrine but also strive to utilise their powers to the full benefit of their communities;
- m) observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making;
- n) when working in partnership, put in place protocols for working together which include a shared understanding of respective roles and responsibilities of each organisation;
- o) when working in partnership, ensure that there are robust procedures for scrutinising decisions and behaviour and that these decisions and behaviour are compliant with any Council rules/codes or comply with any rules/codes developed for the purpose of the partnership;
- p) when working in partnership, ensure that partnership papers are easily accessible and meetings are held in public unless there are good reasons for confidentiality. The partners must ensure that:
 - the partnership receives good quality advice and support and information about the views of citizens and stakeholders, so that robust and reasoned decisions are made; and
 - risk is managed at a corporate and operational level.

Principle 5 - Developing the capacity and capability of Members and officers to be effective.

Ensuring that Members and officers have the necessary skills to operate the Council as a financially significant organisation that provides a substantial number of different services, often to highly dependent residents, and in addition govern the district by preparing it to meet the challenges of the future, is one of the most important aspects of governance. Setting and monitoring performance is one way of rising to this challenge.

In pursuance of this principle the Council will ensure:

- a) assess the skills required by Members and officers and make arrangements to agree a development plan to develop those skills and address any training gaps, to enable roles to be carried out effectively;
- b) develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed;
- c) ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council;
- d) provide induction programmes tailored to individual needs and opportunities for Members and officers to update their knowledge on a regular basis;
- e) put in place effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Council;
- f) consider career structures for Members and officers to encourage participation and development;
- g) when working in partnership, ensure that partners individually and the partnership collectively share responsibility for appointing people to the partnership who have the required skills and are at an appropriate level.
The partnership should:
 - identify the capacity and capability requirements of the partnership
 - conduct an audit of the capacity and capability of the partnership and partners
 - develop an effective plan for addressing any gaps.

Principle 6 - Engaging with local people and other stakeholders to ensure robust public accountability.

Public authorities not only have to do things in the right way, but have to face the additional challenge of being seen to do things in the right way. This requires full engagement with local people through a process which is planned and resourced in a way that is fair. The Council is a “people” business providing services to people by people. People are the Council’s most important and most expensive asset, so a planned approach to their development is required.

In pursuance of this principle the Council will ensure:

- a) make clear to the Council, all officers and the community, to whom they are accountable and for what;
- b) consider those institutional stakeholders to whom the Council is accountable and assess the effectiveness of the relationships and any changes required;
- c) establish clear channels of communication with all sections of the community and other stakeholders and put in place monitoring arrangements to ensure that they operate effectively;
- d) put in place arrangements to enable the Council to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands;
- e) on an annual basis, publish an annual report giving information on the Council’s vision, strategy, plans and financial statements as well as information about outcomes, achievements and the satisfaction of service users in the previous period;
- f) put in place effective systems to protect the rights of staff. Ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place;
- g) develop and maintain a clear policy on how officers and their representatives are consulted and involved in decision making;
- h) produce an annual report on scrutiny function activity;
- i) ensure that the Council as a whole is open and accessible to the community, service users and staff and ensure that it has made a commitment to openness and transparency in all dealings, including partnerships subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so;

- j) when working in partnership, ensure that engagement and consultation undertaken by the partnership is planned with regard to methodology, target audience and required outcomes. Existing mechanisms and groups should be used where appropriate. In the work cycle of the partnership it must be clear and demonstrable to the public what has happened to any feedback and what has changed as a result.

Annual Review of Corporate Governance

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

The Annual Governance Statement includes assurance statements and Internal Audit's opinion report.

The Annual Governance Statement addresses any actions arising from the previous years Annual Governance Statement (formerly Statement on Internal Control) and highlights any actions arising from the year being reviewed.

The Annual Governance Statement also assesses the effectiveness and application of the Local Code of Governance and identifies any necessary changes and makes any relevant recommendations to the Council.

As part of the Audit Committee's governance role, the formal annual review will be undertaken by the Audit Committee on behalf of the Council.

The Annual Governance Statement is signed by the Leader of the Council and by the Chief Executive, and is published in the Council's annual Statement of Accounts.

AUDIT COMMITTEE		Part One (D) Agenda Item 14
Date of Meeting: 8th March, 2011		
Reporting Officer: Policy Review Officer		
<p>Title: Performance Management</p> <p>Summary and Conclusions:</p> <p>To provide Members with the performance management update for Quarter 3.</p> <p>Recommendation:</p> <p>Consider the information and decide whether further action is required.</p>		

Report

Actions to support the Key Priorities

Twenty priority actions were due to be completed by the end of Q3 2010/11 of which, sixteen have been completed. Two are subject to delays and are expected to be completed in 2011. Two have not been completed because of funding issues.

KP1: Safer, cleaner greener

- The Council changed its waste collection contractor in April and we anticipated an increase in complaints about the waste collection service as changes in working practices were introduced. An action was to reduce these complaints to the 2009/10 baseline level by the end of Q1. This has been achieved and we are currently receiving less than twenty complaints per week.
- There was an action to expand the capacity of recycling bring sites and increase the number of schools that are recycling waste. This has been achieved and we are now recycling from most of the schools in the Borough. There was an action to expand re cycling to low rise flats in the Borough and at the end of Q1 an additional 1000 flats were receiving kerbside collection of recyclates.
- There was an action to implement grass cutting for Bigger Bank and this has been implemented.

KP 2: Meeting the housing needs of the Borough

- The development of the frail and elderly scheme in Holker Street has been completed.

- The development of additional houses on Greengate Street has been completed.
- The action to progress demolition of 126 properties in the North Central renewal area has started.
- The action to undertake external improvements to properties in sub area D has commenced.
- The action for the acquisition of properties in sub area D is complete.

KP 3: Providing easier access to services

- We have been assessed at the Achieving level of the Equalities Framework for Local Government. This was due to be completed in Q4 but was achieved earlier than anticipated.

KP 4: Support economic regeneration

- The refurbishment of 104 has been delayed and is anticipated to be completed in Q1 2011.
- The refurbishment of the Mall is complete.
- The refurbishment of Furness House is complete.
- The action to commence Phase 2 of Waterside House development has been cancelled although some work will be carried to improve access.
- The action to secure headline funding for Waterfront Barrow has not been completed. The NWDA has stated that they will not be funding this project and an alternative source of funding is being sourced.
- Phases 2&3 of the Dalton Road Public Realm Improvement Programme are substantially complete.

KP 5: Improve the effectiveness and efficiency of our Council

- Eight members of staff who drive a significant number of miles to carry out their jobs have passed a smart driving course to help reduce CO2 emissions.
- The procurement policy has been completed but has been superseded by the Purchasing Guide.

KP6: Expand facilities and activities for young people

- The Lakes alive spectacular has taken place although the estimated attendance was 6,000 against a target of 8,000.
- The action to deliver the Zircus plus event has been completed.
- The construction of the all weather facility at The Park has been delayed but will be completed in 2011.

The action plan is attached at **Appendix 14**.

Performance Indicators

There are a number of national indicators and local indicators where it is appropriate to report data on a quarterly basis. We have demonstrated improved performance against these indicators:

- Collection of Council Tax is marginally lower than Q3 2009/10 and the collection of National Non Domestic Tax has improved.
- The average number of day's sickness absence per member of staff worse than for the same period in 2009/10.
- There has been a decrease in the number of violent crimes.
- There has been an increase in the number of acquisitive crimes including household burglaries and robberies. The robbery figure is based on small numbers 3 in 2009/10 and 12 in 2010/11.
- There has been a marginal decrease in the number incidences of racial violence hate crime reported and only one incident of racial damage.

Local Indicator for Q3 2010/11

Indicator	Description	Q3 2009/10	Q3 2010/11	Change
9	Percentage of Council tax collected	83.37	83.1	↑
10	Percentage of NNDR collected	87.31	90.21	↑
12	Average number of days sick per member of staff	5.69	7.38	↓
126	Number of burglaries per 1000 households	3.04	3.40	↓
127a	Violent offences per 1000 population	14.82	13.67	↑
127b	Robberies per 1000 population	0.04	0.16	↓
128	Vehicle crimes per 1000 population	2.53	2.47	↑
218a	Percentage of abandoned vehicles removed within 24 hours	100	75	↓
	Number of incidences of racial violence	26	24	↑
	Number of incidences of racial Damage	1	1	→
	Number of hate crimes	36	34	↑

National Indicator for Q3 2010/11

Indicator	Description	Q3 2009/10	Q3 2010/11	Change
NI 191	Residual waste per household	437	396	↑
N1192	% of waste recycled, composted	34.2	37.0	↑
NI 195a	% of streets that don't meet the cleanliness standard: litter	1	1	→
NI 195b	% of streets that don't meet the cleanliness standard: detritus	2	2	→
NI 195c	% of streets that don't meet the cleanliness standard: graffiti	0	0	→
NI 195d	% of streets that don't meet the cleanliness standard: fly posting	0	0	→

(i) Legal Implications

Not Applicable.

(ii) Financial Implications

Not Applicable.

(iii) Health and Safety Implications

Not Applicable.

(iv) Key Priorities or Corporate Aims

Not Applicable.

(v) Risk Assessment

Not Applicable.

(vi) Equality and Diversity

Not Applicable.

(vii) Health and Well-being Implications

Not Applicable.

Background Papers

Nil

Barrow Borough Council's Key Priorities 2010/11 KP1: Create a safer, cleaner, greener Borough and reduce the gaps between the priority wards and the average.

Link to Sustainable Community Strategy

Reduce fear of crime

1

Corporate aims supported by key priority

Effective community

Leadership

Reduce anti-social behaviour

3

Creating an enhanced quality of life for local residents

4

Developing a safe, confident and socially inclusive community

5

Delivering high quality accessible services

The Director of Regeneration has overall responsibility for this priority

Annual objectives		Actions required	SMART targets	Responsible Officer
1	Continue to implement the Waste Minimisation Strategy	Implement new waste collection contract	Manage number of complaints reduced to level of 2009/10 baseline by end of Q1	Chief Environmental Health Officer
		Implement recycling improvement plan	Expand recycling at schools and bring site by Q1. Expand recycling to appropriate low-rise properties by Q1. Achieve recycling level of 40% in 2010/11	Chief Environmental Health Officer
2	Continue to improve the amenity of the Borough	Ensure smooth assimilation of new grounds maintenance and street cleansing contract		Community Services Manager
		Implement additional grass cutting requirement for Bigger bank	First cut to be complete by end of April 2010	Community Services Manager
3	Implement empty shops initiative	Provide cosmetic treatment for vacated Town Centre units	Ensure all appropriate vacant units are treated within eight weeks of becoming vacant	Town Centre Manager
		Deliver Small trader Shop Front Grant Scheme	Process all grants within 14 days of application being validated Achieve >50% take up of grants by end of Q4	Town Centre Manager

Barrow Borough Council's Key Priorities 2010/11: KP 2: Meet the housing needs of the Borough and make decent housing more accessible

Community Plan aims supported by Key Priority

Improve quality and choice of housing

1

Ensure sustainable housing market

3

Renewing the housing market

5

Corporate aims supported by key priority

Effective community leadership

Creating an enhanced quality of life

Delivering high quality accessible services

The Chief Executive has overall responsibility for this priority

Annual objectives		Actions required	Smart Target	Responsible officer
1	Ensure a supply of specialist accommodation and tenancy support services to vulnerable people	Progress frail elderly scheme on the Holker St site	Complete construction by end of Q2	Housing Manager
		Increase availability of affordable housing	Complete construction of six houses on Greengate St by the end of Q2	
			Complete construction of six houses on Albert St by the end of Q4	
			Bid for funding for site on Bradford Street for family housing	
2	Target available resources appropriately to tackle non-decent housing and create sustainable communities	Continue progress towards achieving PSA7 Decent Homes target of 100%	Identify unfit properties and implement remedial action. Maintain current level of >99% in 2010/11	Housing Manager
		Target Private Sector financial resource towards Disabled Facility Grants and thermal efficiency	Achieve LAA targets fuel poverty.	Chief Environmental Health Officer
3	Introduction of a choice based allocation system called Cumbria Choice.	Working with other LA's in Cumbria and Housing Associations to create a single Housing Register and allocation policy for Cumbria.	Implementation Q4	Housing Manager
4	Progress Housing market Renewal programme	Continue property acquisition in sub area D	Complete CPO by Q3	Housing Market Renewal Manager
		Progress demolition of properties in sub area D	Start demolition by Q1	
		Undertake group repairs in Sutherland Street	Undertake external improvements including roofing, doors windows and drain water goods to 42 properties in sub area D by Q2	

Barrow Borough Council's Key Priorities 2010/11: KP 3 Provide easier access to our services

Link to Sustainable Community Strategy

- 1 [Effective community leadership](#)
- 2 [Delivering quality accessible services](#)

Community plans supported by key priority

This key priority supports the Community aims generally

The Director of Corporate Services will have overall responsibility for this priority

Annual objectives			Actions required	Smart targets	Responsible officer
1	Improve the Council's website		Review the number of services available on-line and improve the effectiveness of electronic transactions	Increase the percentage of transaction carried out electronically	Director of Corporate Services
			Reduce the number of avoidable contacts	Achieve level of <30% avoidable contacts in 2010/11	IT Manager
2	Work towards "Achieving Level" of the Equalities Standard for Local Government		Implement action plan agreed by Corporate Equalities Group	Achieve targets agreed in action plan by Q4	Director of Corporate Services

Barrow Borough Council's Key Priorities 201011: KP4 Support Economic Regeneration

Link to Sustainable Community Strategy

Encourage inward investment

1

Creating new gateways and connections

2

Promote sustainable regeneration of the borough

3

Corporate aims supported by key priority

Effective Community

Leadership

Investing in our economic

future

Creating an enhanced quality of

life for local residents

The Chief Executive will have overall responsibility for this priority

Annual objectives		Actions required	Key measures	Responsible officer
1	Progress implementation of Urban Design Framework	Progress town centre link road	Complete by end April 2011	Director of Regeneration and Community Services
		Progress refurbishment of 104 Abbey Road	Complete by Q2	Delayed and will now be completed in Q1 2011
		Progress refurbishment of the Mall	Complete by Q1	
		Implement Public Realm improvement programme for Furness House	Commence work by Q2	
		Improve town centre amenity	Complete phases 2&3 of Dalton road Public Realm improvement programme by Q3	Work is substantially complete
		Implement refurbishment programme for the Ginnell	Commence work in Q1 2011/12	
2	Progress implementation of Waterfront Barrow	Develop Phase 2 of Waterside House project	Commence work by Q2. The refurbishment of Waterside house has been cancelled although some work will be carried out to improve access.	Director of Regeneration and Community Services
		Secure funding for overall scheme	Achieve headline funding approval from NWDA by Q1	
		Prepare for CPO in Q1 2011	Area Action Plan is "found sound" by Q1	
			Secure funding by Q3	
			Prepare draft development agreement by Q3	
			Obtain planning consent by Q1	

Barrow Borough Council's Key Priorities 2010/11: KP5 : Improve the effectiveness and efficiency of your Council

Link to Sustainable Community Strategy

Effective Community Leadership

- 1
- 2 Investing in our economic future
- 3 Delivering high quality accessible services

Community plans supported by key priority

This key priority supports the Community aims generally

The Director of Corporate Services has overall responsibility for this priority

Annual objectives		Actions required	Smart Target	Responsible officer
1	Deliver sustainable operations	Implementing the Cumbrian Climate Change Action Plan	Reducing Cumbria's CO2 emissions by 10% based on the 2007 baseline figure by Q4. Reduce Barrow's building CO2 consumption by 15% compared to 2008 as reported through NI 186 by Q4. Enroll 8 high mileage staff on smart driving course. Q1.	Technical Services Manager
		Revise procurement policy to include sustainable procurement. This document has now been superseded by the Purchasing Guide	Draft to Executive Committee by Q3	Technical Services Manager Borough Treasurer
2	Delivering cashable efficiencies	Consolidate service contracts and implement central monitoring of contract costs	Deliver £1M of cashable savings by Q4	Borough Treasurer
3	Improve administration of the Benefits Service	Deliver the benefits improvement plan	Achieve top quartile service performance for processing of claims by Q4	Borough Treasurer

Barrow Borough Council's Key Priorities 2010/11: KP6: Expand facilities and activities for young people

Link to Sustainable Community Strategy

Promote benefits of regular exercise

Help young people to enjoy and achieve

Corporate aims supported by key priority

Effective community leadership

- 1 Creating an enhanced quality of
- 3 life
- 4 Developing a safe, confident
and socially inclusive
- 5 community
Delivering high quality
accessible services

The Director of Regeneration will have overall responsibility for this priority

Annual objectives		Actions required	SMART targets	Responsible officer
1	Expand recreational facilities for young people	Continue implementation of the recommendations of the review of fixed play provision	Provide Multi Use Games Area in Dalton	Community Services Manager
		Continue to promote the youth gym	Increase usage of the youth gym by 10% in 2010/11	Community Services Manager
2	Provide additional activities to encourage health and fitness for youths	Youths Sports Worker to increase participation in sports and physical activities	Increase participation by 10% in 2010/11	Community Services Manager
3	Improve all weather sports facilities	Deliver new all weather 5-aside facility	Construction complete by Q3 Open for business by Q4	Community Services Manager
4	Deliver Cultural Olympiad	Work with Lakes Alive and Cumbria 2012 to hold 2-day spectacular in Barrow in 2010	Attendance at event to exceed 8,000 The attendance at this years event was 6,000	Community Services Manager
		Engage Barrow Carnival and Zircus Plus	Deliver event in Q1	Town Centre Manager