

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 11th December, 2014
at 2.00 p.m. (Committee Room No. 4)

A G E N D A

PART ONE

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

3 **Admission of Public and Press**

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

4 Declarations of Interest

To receive declarations by Members and/or co-optees of interests in respect of items on this Agenda.

Members are reminded that, in accordance with the revised Code of Conduct, they are required to declare any disclosable pecuniary interests or other registrable interests which have not already been declared in the Council's Register of Interests. (It is a criminal offence not to declare a disclosable pecuniary interest either in the Register or at the meeting).

Members may however, also decide, in the interests of clarity and transparency, to declare at this point in the meeting, any such disclosable pecuniary interests which they have already declared in the Register, as well as any other registrable or other interests.

- 5 To confirm the Minutes of the meeting held on 25th September, 2014 (copy attached) (Pages 1-6).
- 6 Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Annual Audit Letter for the year ended 31st March, 2014 (Page 7).
- (D) 8. Internal Audit Final Reports (Pages 8-9).

- (D) 9. Internal Audit Progress Report - December 2014 (Page 10).
- (D) 10. Audit Committee Update (Pages 11-12).
- (D) 11. Risk Management (Pages 13).
- (D) 12. Monitoring Priority 1 Recommendations (Pages 14-17).

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

Membership of Committee

Councillors Burns (Chair)
Pointer (Vice-Chair)
Doughty
W McClure
Murray
Thurlow

For queries regarding this agenda, please contact:

Sharron Rushton
Democratic Services Officer
Tel: 01229 876321
Email: srushton@barrowbc.gov.uk

Published: 3rd December, 2014

AUDIT COMMITTEE

Meeting Thursday 25th September, 2014
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman) (in attendance from part-way through Minute No. 32 to close of meeting), Pointer (Vice Chairman), Murray and Sweeney.

Officers Present:- Sue Roberts (Director of Resources), John Penfold (Corporate Support Manager) and Matthew Tranter (Apprentice).

Also present were Jackie Bellard and Len Cross from Grant Thornton and Keith Jackson from Internal Audit.

30 – Minutes

The Minutes of the meeting held on 26th June, 2014 were taken as read and confirmed.

31 – Apologies for Absence/Attendance of Substitute Members

Apologies for absence had been received from Councillors Doughty, McClure and Thurlow.

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

32 – Statement of Accounts 2013-2014

The Director of Resources reported that the Accounts and Audit Regulations required the draft Statement of Accounts to be made available to the External Auditors by 30th of June each year. This date had been met and the Statement had been placed on the Council's website by that date.

The Statement of Accounts 2013-14 must be approved by this Committee before 30th September, 2014.

The Statement of Accounts had been appended to the report. The report also contained the Annual Governance Statement for separate consideration along with the Letter of Representation for approval.

It was noted that the External Auditor was required to report to this Committee on the conclusions of the audit, noting any adjustments made to the draft accounts as published. This was the Audit Findings Report which had also been appended to the report. Subject to Members agreeing the Letter of Representation, the External Auditor would give an unqualified audit opinion.

The External Auditor's team had undertaken the audit in a professional and consultative manner. The Director of Resources reported that she was happy

with the service provided and her staff had worked constructively with the External Auditor and her team.

The Committee had thanked the Director of Resources and her team for the hard work carried out in order to produce the Statement of Accounts.

Statement of Accounts

The Director of Resources reported that the Statement of Accounts was complex and not easy to follow. A specific session for Members had been held on 24th September, 2014, to go through the Accounts, explain the key points and provide Members with the opportunity to raise queries. In approving the Statement of Accounts, Members had been asked to undertake a review using their knowledge of the Council together with the External Auditor's report and raise any questions.

The key areas to review in the Statement of Accounts were:-

Explanatory Foreword – this explained the key issues in the accounting statements and explained their purpose.

Statement of Responsibilities – this preceded the accounting statements and set out the responsibilities of the authority and of the Director of Resources in respect of the Statement of Accounts.

Movement in Reserves Statement – this showed the movement in the year on the different reserves held by the authority, analysed into usable reserves (those that could be applied to fund expenditure or reduce local taxation) and unusable reserves.

Comprehensive Income and Expenditure Statement – this showed the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from local taxation.

Balance Sheet – this showed the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) were matched by reserves held by the authority.

Cash Flow Statement – this showed the changes in the authority's cash and cash equivalents during the year.

Notes to the Main Accounting Statements – these included a summary of the significant accounting policies and other explanatory information.

Housing Revenue Account and Notes – this reflected the statutory obligation to maintain a revenue account for local authority housing provision in accordance with Part 6 of the Local Government and Housing Act 1989.

Collection Fund and Notes – this was an agent's statement that reflected the statutory obligation for the authority, as a billing authority, to maintain a separate Collection Fund.

Letter of Representation

The purpose of this letter was to provide assurance to the External Auditors on relevant and significant matters relating to the financial year. The Letter of Representation was issued to disclose the material facts affecting the 2013-2014 transactions of the Council. A copy of the Letter of Representation had been appended to the report.

Annual Governance Statement

The Annual Governance Statement (AGS) needed to be published alongside the Statement of Accounts, although it did not form part of it. The Annual Governance Statement had been presented to this Committee on 26th June, 2014 and suggested revisions had been made. A copy of the Annual Governance Statement had been appended to the report for Members to approve and authorise the Chairman of this Committee to sign on behalf of the Council.

RESOLVED:- (i) To receive the Statement of Accounts for 2013-2014;

(ii) To receive the External Auditor's Audit Findings Report;

(iii) To approve the Letter of Representation and authorise the Chairman of this Committee and the Director of Resources to sign on behalf of the Council;

(iv) To receive the Annual Governance Statement;

(v) To approve the Annual Governance Statement and authorise the Chairman of this Committee to sign on behalf of the Council; and

(vi) To approve the audited accounts and authorise the Chairman of this Committee to sign on behalf of the Council.

33 – Internal Audit Final Report

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

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

There was one final report appended for consideration. The report included and its assurance level was as follows:-

1. Tendering of Catering and Events Management – Substantial Assurance

Members considered the report and raised questions with the Head of Internal Audit.

RESOLVED:- To note the Internal Audit Final Report.

34 – Internal Audit Progress Report - September 2014

The Director of Resources reported that the Internal Audit Progress Report for the period 1st April, 2014 to 10th September, 2014 had been produced by the Head of Internal Audit.

The Head of Internal Audit attended the meeting to present the report to Members.

No Priority 1 recommendations had been made within the report.

The report contained a statistical summary of the numbers of audit recommendations (11). It was noted that 5 recommendations had been fully accepted and 6 recommendations had been partly accepted. Each of the recommendations had been assigned a priority grade 1-3, 1 being major issues and 3 being minor issues. 7 had been rated Priority 2 and 4 had been assigned Priority 3.

RESOLVED:- That the report be received.

35 – Performance Reporting Update

The Director of Resources provided Members with an update on the Council's performance reporting.

Performance was reported as part of the quarterly Council Finances and Performance report to the Executive Committee. The section covering the performance against the Council's priorities included:

Performance

The Council's priorities and the progress against the 2014-2015 objectives were set out in this section.

- 1. Housing** - the Council was committed to continuing to provide a greater choice of good quality housing and regenerate the oldest and poorest housing in the Borough.

Objective 1.1: bring empty properties back into use

Objective 1.2: improve the choice and quality of properties in the Town Centre

Objective 1.3: adopt the Council's Local Plan

Objective 1.4: maintain decent homes standard for the Council's stock

- 2. Regeneration and the Public Realm** - the Council was committed to working with partners and service providers to enhance the built environment and public realm.

Objective 2.1: improve the amenities of the Borough

Objective 2.2: improve the streetscape and central courtyard on Barrow Island

Objective 2.3: support the new athletics facility at Furness Academy

- 3. Local Economy** - the Council was committed to work on mitigating the effects of cuts in public spending, their impact on the local economy and working to secure a long term economic recovery for the community.

Objective 3.1: continue to support the Marina Village development

Objective 3.2: support the strategy for advanced manufacturing in Furness

Objective 3.3: young person's employment scheme for the Council

Objective 3.4: support for low income families

- 4. Service Delivery** - the Council strives to provide good quality, efficient and effective services while reducing overall expenditure.

Objective 4.1: achieve the budget reductions identified for the Council

Objective 4.2: partnership working and shared services

Objective 4.3: improving the customer experience

Objective 4.4: measure customer satisfaction

Objective 4.5: implement the workforce strategy

RESOLVED:- To note the report.

36 – Assurance Statement

The Corporate Support Manager provided Members with the output from the analysis of the departmental assurance statements from 2013/14.

The report provided evidence to support the Annual Governance Statement service managers completed assurance statement to demonstrate that they were aware of assurance controls that needed to be in place.

The responses from these assurance statements had been reviewed and the outputs were detailed in the report.

All of the 22 managers responded to the questionnaire.

The statistical analysis was based on information from the responses.

RESOLVED:- To note the report.

37 – Risk Management

The Corporate Support Manager attached as an appendix to his report, the Risk Register for 2014/15. He reported that the register continued to focus on those business critical risks which were under the control of the Council.

It was noted that Management Board had reviewed the register and made a number of minor changes.

Management had agreed a number of operational risks and these were attached as an appendix to the Corporate Support Manager's report. The operational risks would be used to inform the development of the Council's business continuity plan.

RESOLVED:- To note the report.

38 – Local Government Ombudsman Annual Letter 2014

The Corporate Support Manager reported that the Ombudsman issued an annual review letter to Council's reviewing complaints against the Authority.

During 2014, a total of seventeen complaints/enquiries had been received. He advised that this year the Ombudsman had not provided the detailed breakdown of complaints/enquiries.

A copy of the letter and annual statistics had been appended to the report.

RESOLVED:- To note the report.

39 – Monitoring Priority 1 Recommendations

The Corporate Support Manager reported that Internal Audit undertook reviews of Council's systems as defined in the annual audit plan. The audit conclusion may include Priority 1 recommendations which related to major issues that needed to be brought to the attention of senior management. Senior Managers considered the recommendations and determined whether to accept or reject them. If the recommendation was accepted the Manager was agreeing to implement the recommendation.

To ensure that all agreed Internal Audit Priority 1 recommendations were implemented in a timely manner they were now tracked by Management. There had not been any additions to this list in 2013/14 to date.

The Council's business continuity arrangements had not yet been finalised and it was anticipated that this would be completed in Quarter 3.

Disaster recovery arrangements for transferring operations to the Park Leisure Centre had been agreed and funding had been agreed to facilitate this.

RESOLVED:- To note the report.

The meeting closed at 2.55 p.m.

		<u>Part One</u>
AUDIT COMMITTEE		(D)
Date of Meeting: 11th December, 2014		Agenda
Reporting Officer: Director of Resources		Item
		7
<p>Title: Annual Audit Letter for the year ended 31st March, 2014</p> <p>Summary and Conclusions:</p> <p>The Annual Audit Letter for the year ended 31st March, 2014, has been produced by the External Auditors. The External Auditors will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive the External Auditors report and raise any questions.</p>		

Report

The External Auditors have produced the Annual Audit Letter for the year ended 31st March, 2014, which summaries the key findings from the financial year 2013-2014 audit work.

The report is attached at **Appendix 1** and will be presented to Members by the External Auditors.

Background Papers

Nil

The Annual Audit Letter for Barrow in Furness Borough Council

Year ended 31 March 2014

October 2014

Jackie Bellard

Director

T 0161 234 6394

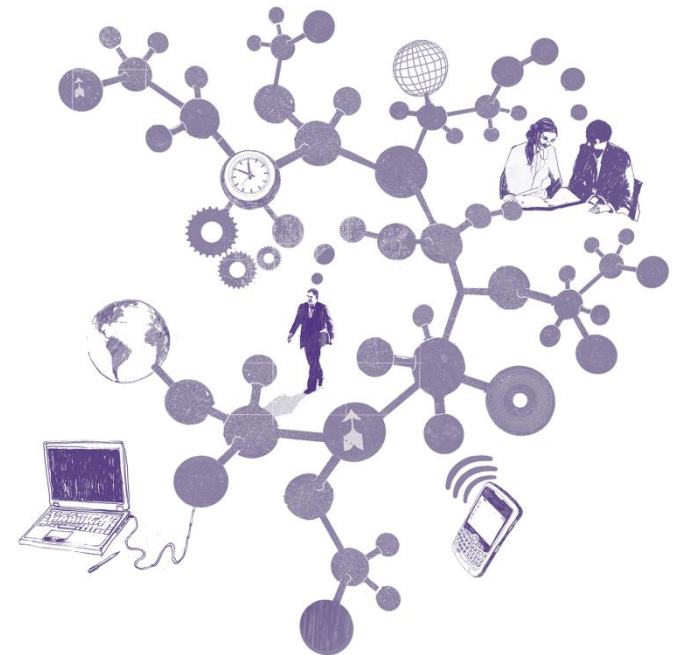
E jackie.bellard@uk.gt.com

Len Cross

Audit Manager

T 0161 234 6387

E leonard.e.cross@uk.gt.com



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Key messages

Our Annual Audit Letter summarises the key findings arising from the work that we have carried out at Barrow in Furness Borough Council ('the Council') for the year ended 31 March 2014.

The Letter is intended to communicate key messages to the Council and external stakeholders, including members of the public. Our annual work programme, which includes nationally prescribed and locally determined work, has been undertaken in accordance with the Audit Plan that we issued in June 2014 and was conducted in accordance with the Audit Commission's Code of Audit Practice, International Standards on Auditing (UK and Ireland) and other guidance issued by the Audit Commission.

Financial statements audit (including audit opinion)

We reported our findings arising from the audit of the financial statements in our Audit Findings Report on 25 September 2014 to the Audit Committee. The key messages reported were:

- None of the agreed amendments to the financial statements impacted on the Council's reported financial position;
- Minor amendments were agreed to improve the content of the Explanatory Foreword and its links to other parts of the financial statements; and
- There were no significant issues or recommendations arising from our 2013/14 audit

We issued an unqualified qualified opinion on the Council's 2013/14 financial statements on 30 September 2014, meeting the deadline set by the Department for Communities and Local Government. Our opinion confirms that the financial statements give a true and fair view of the Council's financial position and of the income and expenditure recorded by the Council.

Key messages

Value for Money (VfM) conclusion	<p>We issued an unqualified VfM conclusion for 2013/14 on 30 September 2014, concluding that the Council has:</p> <ul style="list-style-type: none">• sound financial governance arrangements and financial controls in place, supported by members who consistently provide a robust challenge to financial matters;• a well established approach to strategic financial planning, through the three year medium term financial strategy, aligned to corporate priorities;• demonstrated a track record of meeting efficiency targets and managing its revenue budget well. <p>On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2014.</p>
Whole of Government Accounts	<p>We reviewed the consolidation pack which the Council prepared to support the production of Whole of Government Accounts and confirmed this was under the audit threshold of £350 million. We reported, as required, that there were no differences between the bottom line totals for Property, Plant and Equipment (PPE) and the net pension liability recorded within the Council's balance sheet and the disclosures within the consolidation pack and no unexplained differences within the detailed disclosures.</p>
Certification of grant claims and returns	<p>Our 2013/14 grant claim programme includes two claims covered by the Audit Commission's certification regime - Housing pooled capital receipts and Housing Benefits.</p> <p>Our initial work on the Housing Benefits claim has identified a number of issues which require additional testing and is likely to result in a qualification letter.</p>

Key messages

Audit fee

Our core audit fee for the 2013/14 Barrow in Furness Borough Council audit was £68,159. This represents a £900 increase on 2012/13 to cover work in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NNDR3 claims. The additional fee is 50% of the average fee previously charged for NNDR3 certifications for a district council and is subject to agreement by the Audit Commission. Whilst the fee for the audit increased, there was a further decrease in the grant claim fee during year due to there being no requirement to certify the NNDR 3 return.

Further detail is included within Appendix A.

Appendix A: Reports issued and fees

We confirm below the fee charged for the audit

Fees

	Per Audit plan £	Actual fees £
Audit Fee	67,259	68,159
Grant certification fee	22,300	TBC
Total fees	89,559	TBC

Our work to certify the Council's grant claim is not yet complete. We will confirm the final fee once our work is complete. There is an additional fee of £900 in respect of work on material business rates balances. This additional work was necessary as auditors are no longer required to carry out work to certify NDR3 claims. The additional fee is 50% of the average fee previously charged for NDR3 certifications for a district council and is subject to agreement by the Audit Commission.

Reports issued

Report	Date issued
Audit Plan	June 2014
Audit Findings Report	September 2014
Annual Audit Letter	October 2014

Fees for other services

Service	Fees £
None	Nil



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AUDIT COMMITTEE	Part One (D) Agenda Item 8
Date of Meeting: 11th December, 2014	
Reporting Officer: Director of Resources	
<p>Title: Internal Audit Final Reports</p> <p>Summary and Conclusions:</p> <p>Internal Audit performs audits in accordance with the approved Annual Plan. Final reports are presented to Members by the Head of Internal Audit.</p> <p>Recommendations:</p> <p>Members are recommended to receive the Internal Audit final reports and raise any questions.</p>	

Report

There are seven final reports for consideration by Members:

- Income Collection (The Forum) **Appendix 2**
- Budgetary Control **Appendix 3**
- Payroll **Appendix 4**
- Accounts Payables **Appendix 5**
- North Central Group Repair **Appendix 6**
- Farm Street Play Area Refurbishment **Appendix 7**
- Griffin Re-Roofing **Appendix 8**

These reports will be presented by the Head of Internal Audit.

For information the assurance and recommendations assigned to Internal Audit reports are as follows:

The assurance levels are:

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

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

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

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

The recommendation levels assigned to issues identified are:

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

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

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

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

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 14-01
INCOME COLLECTION (THE FORUM)

Executive Summary

Introduction

The Borough Council offers a range of methods of payment to its customers. The more traditional options such as cheque, debit/credit cards, standing order and direct debit have been supplemented by newer methods which include a dedicated payment hotline, the Internet, Touchtone phone and Allpay payment points. Internet and telephone services are processed through the Axis Income Management system, which is provided by Capita Software Services.

Payment by cash is no longer accepted at the Town Hall, although a number of areas, particularly customer facing services such as the Forum, car parking machines and the Park leisure centre, continue to take cash payments for the facilities they provide. Income is still received in the form of cheques through the post.

This review of income collection has predominantly focussed on one of the customer facing services. The Forum is the Council's arts venue, providing a varied programme of arts and entertainment events. In addition, the building's facilities are available to hire for functions, private parties, conferences and shows. Since 1 April 2012, the Forum has managed the Council's tourist information point and issued bus passes as an agent of Stagecoach.

The Forum's annual income in 2013/14 was in excess of £300,000 from ticket sales and admissions, with approximately £56,000 in room hire charges and £3,000 commission relating to bus pass sales.

Audit Objectives

An audit of this system forms part of the agreed 2014/15 programme. The audit objectives were to evaluate and test specific internal controls for the collection and receipting of income at the Forum. The scope and objectives of the audit were discussed and agreed in advance with Financial Systems Manager and the Forum Venue Manager.

Key Points
Substantial Assurance
One important issue
One minor issue

Audit work included testing of the operation of key controls.

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 may put some of the system objectives at risk. We have made one Priority 2 recommendation which relates to reviewing the Forum

daily income reconciliation sheets and ensuring that they are accurately and consistently completed, as follows:

- completion of all sections of the reconciliation sheet;
- recording unders/overs;
- ensuring sheets are arithmetically correct;
- signing all reconciliation sheets; and
- accurately transferring details from supporting reports onto the reconciliation.

We have also made one Priority 3 recommendation which concerns reviewing the recording and calculation of bus pass sales, as follows:

- ensuring returns are accurately completed with sequential ticket numbers;
- “double checking” the income received and paid to Stagecoach; by reconciling the number of tickets sold to the sequential ticket numbers; and
- cross checking the serial numbers of the tickets sold (in accordance with the return) to serial numbers of passes received from stagecoach.

Management Response

We have received a constructive management response from the Venue Manager, accepting the recommendations.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 14-10
BUDGETARY CONTROL

Executive Summary

Introduction

The Council's Budgetary Control function is managed by the Financial Services Department. Budget preparation and control processes are documented in a detailed timetable together with written procedures. Responsibility for individual cost centre budgets is allocated to the relevant budget holder. Each Accountant monitors a number of specified cost centres and liaises with the budget holders to ensure the efficient and effective management of Council funds.

Budget and actual transactions are recorded and controlled at cost centre level via the Council's Oracle Financial System. Approved headline budgets for the financial year 2014/15 total:

- General Fund Revenue - £10,638,490
- Capital Programme - £3,607,675
- Housing Revenue Account expenditure/income - £8,907,230/£11,765,820.

Audit Objectives

An audit of this system forms part of the agreed 2014/15 programme. The audit objectives were to evaluate and test the internal controls over the Budgetary Control function. The scope and objectives of the audit were discussed and agreed in advance with the Accountancy Services Manager.

Audit work included a control evaluation of the system design and testing of the operation of key controls.

Key Points
Substantial Assurance
One Previous Recommendation

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that while there is a basically sound system of control, there are weaknesses which may put some of the system objectives at risk. Although we have not made any new recommendations as a result of this review.

Internal Audit reviewed the two agreed recommendations made in the previous audit report 13-07, dated January 2014 and confirmed one recommendation has been implemented and one remains outstanding. The outstanding recommendation relates to ensuring that Cost Centre Managers consistently and formally agree their budgets with the respective Accountants, including any virements performed.

Management Response

We have received a constructive management response from the Accountancy Services Manager, accepting the recommendation.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 14-13
PAYROLL

Executive Summary

Introduction

Salaries and expenses of Council Officers and Members’ allowances and expenses are administered by the Financial Services Department. Processing and payment is outsourced to Selima, who provide a fully managed service, based on payroll information submitted monthly by Council staff.

The August 2014 monthly payroll involved employee costs of approximately £529,000 with net payments of £344,000 to 266 officers and 36 Councillors.

Audit Objectives

An audit of this system forms part of the agreed 2014/15 programme. The audit objectives were to evaluate and test the operation of internal controls over the Payroll function. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

Key Points
Substantial Assurance
Three important issues
Four minor issues

Audit work included a control evaluation of the system design and testing of the operation of key controls. In addition, Internal Audit perform routine quarterly checks on payroll control account reconciliations to confirm that these are prepared appropriately by Council staff.

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that while there is a basically sound system, there are a number of weaknesses which put some of the system objectives at risk. We have made the three Priority 2 recommendations, which relate to:

- the Interim HR Manager confirming that the correct salary point has been used to calculate the salaries of the three stated employees and making any necessary changes to the establishment list and/or payroll data;
- the Financial Services Manager:
 - a) investigating the apparent overpayment made to the stated employee and make any necessary recovery of the amount paid; and
 - b) considering whether the checks made by his staff on payroll output could be strengthened to prevent a recurrence; and
- the Cemeteries and Crematorium Manager ensuring that claims are completed and authorised for all additional hours worked.

In addition, we have made four Priority 3 recommendations, which concern:

- the Interim HR Manager reviewing the accuracy of the extra availability allowance payable and the holiday purchase deductions for the three stated employees and making any necessary adjustments;
- the Interim HR Manager reviewing the calculation of the final month's salary paid to the stated employee and seeking to recover the apparent overpayment;
- the Streetcare Manager ensure that authorised claims are readily available to support overtime payments made to his staff; and
- the Interim HR Manager locating a copy of the letter of resignation from the stated employee.

There were no outstanding agreed recommendations made in earlier Audit Reports relating to the Payroll function.

Management Response

We have received a constructive management response from the Financial Services Manager, the Interim, HR Manager, the Streetcare Manager and the Cemeteries and Crematorium Manager, accepting five recommendations and partially accepting two recommendations.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 14-18
ACCOUNTS PAYABLE

Executive Summary

Introduction

The payment of supplier invoices, rent allowance, housing rent, business rate and council tax refunds is managed by Financial Services, using the Accounts Payable module of the Council’s Oracle Financial system. All payments processed by the Council are made through BACS.

The system currently holds records for 3,984 suppliers; the following payments were made in the period up to 22nd September 2014:

	Number	Amount (£000)
Suppliers	2,368	11,017
Rent Allowances	11,948	6,149
Council Tax & NNDR Refunds	959	968
Housing Rent Refunds	99	38

Audit Objectives

An audit of this system forms part of the agreed 2014/15 programme. The audit objectives were to evaluate and test the internal controls over the Accounts Payable system. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

Audit work included a control evaluation of the system design, and testing of the operation of key controls.

Key Points
Substantial Assurance
One previous recommendation

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that while there is a basically sound system of control, there are weaknesses which may put some of the system objectives at risk. We have not made any new recommendations as a result of the review.

Internal Audit also reviewed the agreed recommendation made in Audit Report 11-19, dated November 2011. The recommendation remains outstanding and concerns:

- considering whether any action is required to ensure that all supplier invoices are paid promptly within agreed settlement terms. (Priority 3).

Management Response

We have received a constructive management response from the Financial Services Manager, accepting the recommendation.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 82
NORTH CENTRAL AREA GROUP REPAIR

Executive Summary

Introduction

This contract relates to a programme of external repairs to 240 private properties in the North Central Area of Barrow. Repairs identified by the Council required the agreement of the owners and the cost was secured by means of a local land charge registered against each property. The scale of the works required a complex specification for each property which was subject to frequent review and change as the work progressed on site.

Following competitive tendering, the contract was let in the sum of £1,549,532.00 to the lowest tenderer, Thomas Armstrong Limited; the project management consultant for the project was Arcus Consulting Limited.

The final valuation and account for the contract have been submitted in the sum of £1,595,475.93, representing an increase of £45,943.93 (3.0%).

Audit Objectives

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

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

Key Points
Substantial Assurance
Four important issues
One minor issue

Audit Conclusion – Substantial Assurance

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

We have made four Priority 2 recommendations, as follows:

- For future tendering work of this nature, the Property Services Group Manager should ensure:
 - a) where a similar method of collating prices in tender documents is to be adopted, the process is demonstrated to be robust and free from error; and
 - b) the arithmetic of tenders is checked thoroughly as part of the evaluation process;

- the Property Services Group Manager should:
 - a) in respect of this contract:
 - i) review the documentation relating to the fourteen properties identified from the Internal Audit testing to determine whether the variations included in the contract Final Account are both correct and properly authorised; and
 - ii) ensure that all variations to the original contract specifications for the remaining properties in the contract are correct and properly authorised; and
 - b) for future contracts, ensure that authorised contract instructions are priced wherever possible, in order to assist in controlling costs;
- the Property Services Group Manager should:
 - a) investigate the observations made by Internal Audit in relation to fifteen properties, which may indicate discrepancies between the work charged in the Final Account and the repairs actually undertaken; and
 - b) make any necessary corrections to the contract Final Account, or requiring the completion of any missing work for those properties; and
- the Property Services Group Manager should:
 - a) consider the implications of the internal audit sample testing for the whole scheme;
 - b) ensure that the consultant for the scheme undertakes thorough inspections of properties to provide assurance that the authorised work to the properties has been completed satisfactorily;
 - c) satisfy himself that the Final Account for this scheme is correct and includes only properly authorised work; and
 - d) arrange to release the final payment under this contract at the appropriate time.

In addition, we have made one Priority 3 recommendation, which relates to:

- the Property Services Group Manager ensuring that arrangements are in place to make interim contract payments within the timescale stated on the relevant certificate.

Management Response

We have received a constructive management response from the Property Services Group Manager accepting three recommendations and partly accepting two.

Acknowledgement

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

CONTRACT PARTICULARS

Contract Title:	North Central Area Group Repair Scheme
Form of Contract:	JCT Intermediate Building Contract 2011
Contractor:	Thomas Armstrong Limited
Consultants: Project Management & CDM Co-ordinator	Arcus Consulting Limited
Quantity Surveyor:	n/a
Other Consultants	n/a
Tender Sum:	£1,549,532.00
Contract Sum:	£1,549,582.00 (difference of £50.00 subsequently corrected by agreement with contractor)
Date for Possession:	28 January 2013
Date for Completion:	29 November 2013
Date of Practical Completion:	24 January 2014
Extension of Time Granted:	8 weeks
Delay in Completion:	8 weeks
Liquidated and Ascertained Damages provision/required:	£700.00 per week provision; none required
Minimum Insurance Cover and Actual Insurance Cover Confirmed	£10m Employers Liability £8m Public Liability
Minimum Bond Required	Bond provided £154,953.20 (10% of Contract Sum)
Retention Amount	Retention 5% to Practical Completion Retention 2.5% during Defects Period
Latest Contract Valuation:	£1,595,475.93
Anticipated Final Account Sum:	Provisionally £1,595,475.93, subject to any amendments arising from this review
Percentage increase/decrease: Latest Valuation against Contract Sum Anticipated Outturn against Contract Sum	3.0% 3.0%

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 89
FARM STREET PLAY AREA REFURBISHMENT

Executive Summary

Introduction

This contract relates to the refurbishment of the play area at Farm Street, Barrow Island. Tenders were invited on the basis that they should be between £180,000 and £200,000, in order to support a funding application of similar magnitude to the Lottery Fund; on behalf of the Barrow Island Community Trust. The criteria for evaluation and award of the tender were predominantly quality considerations, including the aspirations of the Trust.

Tenders were invited from four specialist playground equipment and installation contractors; following evaluation, the contract was awarded to Wicksteed Leisure Limited in the sum of £197,950. Although tenders were invited on the basis that the contract would be subject to JCT Minor Works terms and conditions, it was subsequently finalised on the Council's General Contract Standard Terms and Conditions for the Purchase of Services.

Wicksteed Leisure have submitted a final invoice of £197,950 for the project; matching the contract sum; some minor items identified during the contract have been charged to the playgrounds maintenance budget.

Audit Objectives

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

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

Key Points
Substantial Assurance
Four important issues
Two minor issues

Audit Conclusion – Substantial Assurance

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

We have made four Priority 2 recommendations, which relate to the Parks Manager:

- ensuring that an appropriate form of contract is used for all capital projects managed by him;
- ensuring that all contracts issued to tenderers contain the correct versions of corporate documents;

- ensuring that organisations invited to tender for contracts are required to sign a form of tender with appropriate conditions, including a non-collusive statement; and
- explaining why he initially accepted invoices from the contractor based on more generous terms than those provided in the contract, specifically:
 - a) an interim invoice for the capital work when it had been agreed that a single invoice would be issued; and
 - b) a final invoice without the required deduction of retention representing 2.5% of the completed works.

In addition, we have made two Priority 3 recommendations, which concern:

- amending the General Contract Standard Terms and Conditions of Contract for the Purchase of Services so that they refer to the relevant legislation relating to bribery; and
- the Parks Manager:
 - a) ensuring that the contractor's invoice and credit note for revenue items are settled before release of the retention; and
 - b) releasing the retention after the correct period, subject to satisfactory inspection of the completed work.

Management Response

We have received a constructive response from the Parks Manager accepting each of the recommendations.

Acknowledgement

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

CONTRACT PARTICULARS

Contract Title:	Farm Street Play Area Refurbishment
Form of Contract:	Barrow Council General Contract Standard Terms and Conditions for the Purchase of Services.
Contractor:	Wicksteed Leisure Limited
Consultants: CDM Co-ordinator	Baker Mallett
Quantity Surveyor:	n/a
Other Consultants	n/a
Tender Sum:	£197,950.00
Contract Sum:	£197,950.00
Date for Possession:	31 March 2014
Date for Completion:	Quoted as 31 March 2015
Date of Practical Completion:	25 July 2014
Extension of Time Granted:	None
Delay in Completion:	None
Liquidated and Ascertained Damages provision/required:	None
Minimum Insurance Cover and Actual Insurance Cover Confirmed	£10m Employer's Liability £10m Public Liability £5m Professional Indemnity
Minimum Bond Required	Not required
Retention Amount	2.5% from final cost of works
Latest Contract Valuation:	£197,950.00 cost of works
Anticipated Final Account Sum:	Provisionally £197,950.00 excluding revenue items
Percentage increase/decrease: Latest Valuation against Contract Sum Anticipated Outturn against Contract Sum	0.0% 0.0%

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR 81
CUMBRIA HOUSING PARTNERS: GRIFFIN RE-ROOFING

Executive Summary

Introduction

This project relates to the re-roofing of a mixture of bungalows, two-storey blocks of flats, two-storey houses and a single storey community centre at the Griffin Estate, Barrow. A total of 157 Council properties were improved, including 39 on leasehold tenure. Tenders were invited via a mini-competition from five contractors registered on the Procure Plus framework.

The contract was awarded to the lowest tenderer, DLP Services (Northern) Limited, in the sum of £519,784.00. The final account for the contract amounts to £470,024.56, a reduction of £49,759.44 (9.6%). A further £26,791.40 in fees is payable to Procure Plus for use of the framework.

Audit Objectives

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

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

Key Points
Substantial Assurance
Three important issues
Three minor issues

Audit Conclusion – Substantial Assurance

As a result of the audit we have concluded that a number of weaknesses have been identified in the system of control, which may put some of the system objectives at risk. Previous internal audit reviews of Cumbria Housing Partners contracts have identified a weakness in that the underlying contracts required by the Procure Plus framework have not been finalised so that there is no binding agreement between the Council and its contractors. Additionally, the Procure Plus system does not readily provide information needed to demonstrate a clear management trail of events and documentation. These issues, which are being addressed by the Council, apply equally to this contract, but have not been repeated in this audit report.

We have made three Priority 2 recommendations, which concern:

- clarifying whether tenders obtained through a mini-competition exercise under a framework arrangement should be reported to the Executive Committee for approval;

- the Housing Maintenance Manager explaining why the required performance bond was not obtained for this contract; and
- the Housing Maintenance Manager outlining why the final payment due on this contract was released before the final account had been checked and cleared by Internal Audit, as required by Contract Standing Orders.

In addition, we have made three Priority 3 recommendations, relating to:

- the Housing Maintenance Manager ensuring, for future contracts awarded using the Cumbria Housing Partners framework, that the Procure Plus system contains a copy of the tender notice issued to tenderers and the full text of returned tenders; and
- in respect of the two consultants assisting with this contract, the Housing Maintenance Manager explaining:
 - a) whether the quantity surveyor was appointed following an appropriate procurement process;
 - b) why no official purchase orders were issued for the consultants' fees; and
 - c) whether both consultants were informed that they must comply with the Council's Contract Standing Orders and Financial Regulations; and
- the Management Board clarifying whether Housing schemes are subject to the process of submitting capital bids and project review reports to the Capital Programme Group.

Management Response

We have received constructive management responses from the Housing Maintenance Manager and Management Board accepting each of the recommendations.

Acknowledgement

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

CONTRACT PARTICULARS

Contract Title:	Re-Roofing, Griffin Estate, Barrow
Contract Form:	Procure Plus framework agreement and licence; underlying contract with the contractor not completed
Contractor:	DLP Services (Northern) Limited
Engineer:	n/a
Quantity Surveyor:	Richard Coates
Other Consultants	Baker Mallett – CDM Co-ordinator
Tender Sum:	£519,784.00
Contract Sum:	£519,784.00
Date for Possession:	2 April 2013
Date for Completion:	25 November 2013
Date of Practical Completion:	1 November 2013
Extension of Time Granted:	n/a
Delay in Completion:	n/a
Liquidated and Ascertained Damages provision/paid/received:	Not required
Minimum Insurance Cover Required & Cover Confirmed	£10m Employers Liability £5m Public Liability
Minimum Bond Required	Bond required £51,978.40 (10% of Contract Sum), not obtained
Retention Amount	Not required
Final Contract Valuation:	£470,024.56
Anticipated Final Account Sum:	£470,024.56 plus £26,791.40 fees to Procure Plus
Percentage increase/decrease: Final Valuation against Contract Sum	-9.6%

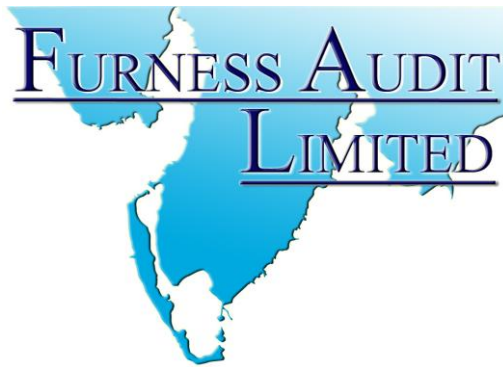
AUDIT COMMITTEE		Part One (D) Agenda Item 9
Date of Meeting:	11th December, 2014	
Reporting Officer:	Director of Resources	
<p>Title: Internal Audit Progress Report - December 2014</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Progress Report has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p>Recommendations:</p> <p>Members are recommended to receive the Internal Audit Progress report and raise any questions.</p>		

Report

The Internal Audit Progress Report for the period 1st April, 2014 to 2nd December, 2014 is attached at **Appendix 9** and will be presented to Members by the Head of Internal Audit

Background Papers

Nil



BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to December 2014

2014/15

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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 2nd December 2014, 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 and 2nd December 2014. 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 have made in our final reports issued up to 2nd December 2014; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	37	-	22	15
Fully Accepted	27	-	15	12
Partly Accepted	10	-	7	3
Not Accepted	-	-	-	-

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

No Priority One recommendations were made within the reporting period.

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

There have been no rejected Priority Two recommendations during the reporting period.

4. INTERNAL AUDIT COVERAGE:

APRIL – SEPTEMBER 2014

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	ANNUAL AUDITS			
14-01	Income Collection (The Forum)	1	Final	Substantial
14-02	Housing and Council Tax Benefits	1	Initial Final	Substantial
14-03	Council Tax	1	Fieldwork Complete	
14-04	Business Rates (NNDR)	2	Fieldwork Complete	
14-05	Risk Management	1	Draft	Substantial
14-06	Receipt Book Checks	n/a	Ongoing	
14-08	Contract Management Checklist Coverage	1	Ongoing	
14-09	Performance Management	2	In Progress	
14-10	Budgetary Control	2	Final	Substantial
14-11	Treasury Management	2		
14-12	Car Park Meter Income	2	Final	Substantial
14-13	Payroll (inc. Expenses)	2	Final	Substantial
14-14	Accounts Receivable	2		
14-15	Corporate Control/Governance	2		
14-16	Main Accounting System and Periodic Controls	2	Q2 complete	N/a
14-17	Procurement (inc. Ordering)	2	Complete	N/a
14-18	Accounts Payable	2	Final	Substantial
14-19	Housing Rents	2		
14-20	Standing Orders/Financial Regs/Anti Fraud	2		
14-21	Housing Non Routine Maintenance	2		
14-22	NFI	n/a	Ongoing	
14-23	Sundry Billing and Recovery review	n/a	Complete	n/a

Report Number	Audit Assignment	System Significance Band	Status	Assurance
14-26	Capital Grant Determination No 31/2295 Declaration - Capital Hardware Funding	n/a	Certification letter signed	n/a
14-27	Benefit Certification	n/a	Ongoing	n/a
14-28	Empty Homes Grant	n/a	Certification letter signed	n/a
	COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT	n/a		n/a
-	Hawcoat		Complete	
-	Abbotsvale		Complete	
-	Dalton Community Association			
-	Barrow Playing Fields Users Association		In progress	
14-25	Mayor's Account	n/a	Complete	n/a
	IT ENVIRONMENT AUDITS	1		
IT55	ITIL – IT Infrastructure Library		Draft	Substantial
	CONTRACT AUDIT	1		
CR77	Proposed Soccer Centre, Park Leisure Centre		Initial Draft	Restricted
CR80	Roa Island Jetty		Stage 2 review complete	
CR81	2011/15 CHP Griffin Roofing Improvements		Final	Substantial
CR82	North Central Group Repair Scheme		Final	Substantial
CR84	Barrow Cemetery NW Extension		Stage 2 review complete	
CR85	Catering and Events Management		Final	Substantial
CR86	Town Hall Roof		Stage 4 review complete	
CR87	Craven House Roof		Commenced	

Report Number	Audit Assignment	System Significance Band	Status	Assurance
CR89	Farm Street Refurbishment		Final	Substantial
CR90	Re-Roofing Units 9 & 10 James Freel Close		Stage 2 review complete	
CR92	Barrow Market Hall		Draft	Substantial
CR93	2014/14 CHP Roosegate Roofing		Commenced	
CR94	2014 Devonshire Road Improvements		Commenced	
CR95	Town Hall Ground Floor Improvements		Stage 2 review complete	
CR96	West Shore Coastal Defences		Commenced	
CR97	Maritime Streets Landscaping Design		Commenced	
CR98	Maritime Streets Landscaping Works		Commenced	
14-07	IMPLEMENTATION REVIEW	n/a		n/a
08-27	Housing Maintenance (Responsive Repairs)		Complete	
10-27	Non Routine Public Buildings Maintenance		Complete	
06-09	Refuse Collection including Recycling		Complete	
11-25	Insurance		Complete	
11-28	Grounds Maintenance		Complete	
13-01	Income Collection		Complete	
12-21	The Forum		Complete	
IT49	Code of Connection		Complete	
IT51	Information Security Policy		Complete	
IT52	Infrastructure Management		Complete	

Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2014/15 (April – December)	49	0	0	49
2013/14 (Full year)	106	0	7	113

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.

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.

6. PERFORMANCE

The Public Sector Internal Audit Standards (PSIAs) require Internal Audit to be measured in terms of performance. The indicators below provide information over the arrangements and effectiveness of Internal Audit.

Indicator		2014/15
1	Percentage of Draft reports issued within 10 working days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	44%
3	Percentage of Final reports issued within 10 working days of receipt of management response.	100%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

Draft Reports issued

Ref	Audit	Date issued
14-05	Risk Management	2 nd Dec 2014
CR92	Market Hall	27 th Nov 2014
IT55	ITIL - IT Infrastructure Library	5 th Dec 2014

APPENDIX 1 – RESTRICTED ASSURANCE AUDITS

No Final reports were issued in the period with Restricted Assurance.

AUDIT COMMITTEE		<u>Part One</u> (D) Agenda Item 10
Date of Meeting:	11th December, 2014	
Reporting Officer:	Director of Resources	
<p>Title: Audit Committee Update</p> <p>Summary and Conclusions:</p> <p>This report contains an update on the 2014-2015 Statement of Accounts and other developments since the last committee meeting.</p> <p>Recommendations:</p> <p>Members are recommended to note the update and raise any questions.</p>		

Report

Statement of Accounts

The timetable for preparing the Statement of Accounts 2014-2015 will be drawn up in January 2015 and will reflect any adjustments that were identified during the 2013-2014 process. There were no major concerns with the 2013-2014 timetable and it is expected that the current plan will roll forward.

Other developments

DWP Universal Credit begins in the Borough on 8th December, 2014. Barrow Citizen's Advice Bureau will be providing personal budgeting support and online support for claimants. The initial claimant scope for Cumbria is for single new claimants that are unemployed and may have rental housing costs (no mortgage).

The DWP Single Fraud Investigation Service (also referred to as SFIS) is set to begin work in July 2015 for Cumbria. The benefit fraud work will pass to the DWP from the Council; this is contracted out with Revenues and Benefits. Corporate fraud work will remain with Internal Audit.

The Audit Commission has issued a briefing paper in relation to managing Council property assets, using data from the VFM profiles. The Council manages the commercial property portfolio through the Property Services Department and has a cross-service Property Management Group which reports to Management Board. The commercial property portfolio generates over £1 million per year. Operational properties are also reviewed by the Property Management Group and inform the public buildings maintenance programme, the capital programme and

the Asset Management Plan. The briefing paper is available from the Audit Commission website:

<http://www.audit-commission.gov.uk/information-and-analysis/value-for-money-briefings-2/>

The Audit Commission has also published the National Fraud Initiative (also referred to as NFI) report which identified that the data matching had identified a further £229 million of fraud, overpayment or error in England, Scotland, Wales and Northern Ireland, since the last report in May 2012. The Council's data matches are investigated by Internal Audit, apart from those relating to Revenues and Benefits which are referred to that specific fraud team. The report is available from the Audit Commission website:

<http://www.audit-commission.gov.uk/national-fraud-initiative/nfi-reports/>

The Audit Commission has also issued the Protecting the Public Purse report for 2014. This report is an amalgamation and analysis of the fraud surveys from Councils to the Audit Commission. The report identifies that fraud at a value of £188 million was detected by England's Councils in 2013-2014. The survey includes housing benefit, council tax support, right to buy, insurance and housing tenancies. The fraud survey returned for this Council identified only housing benefit fraud cases, all of which have been dealt with and recovery action undertaken. The report is available from the Audit Commission website:

<http://www.audit-commission.gov.uk/counter-fraud/protecting-the-public-purse-reports/>

Background Papers

Nil.

		<u>Part One</u>
AUDIT COMMITTEE		(D)
Date of Meeting: 11th December, 2014		Agenda
Reporting Officer: Corporate Support Manager		Item
		11
<p>Title: Risk Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with the Council's Risk Register.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>		

Report

The Risk Register for September 2014 is attached at **Appendix 10** it continues to focus on those business critical risks which are under the control of the Council.

The Risk Register was reviewed by Management Board at their meeting in August 2014 and the following changes were made:

Corporate Risk 1: Impact to changes to the benefit system on the income of the Housing Department had an additional mitigating action added as detailed below:

Housing Officers carry out a pre-tenancy interview to understand who their customers are and how it will be best to engage with them in the future.

Operational Risks

Management has agreed a number of operational risks and these are presented in **Appendix 11**. The operational risks will be used to inform the development of the Council's Business Continuity Plan.

No changes were made to the Operational Risk Register by Management Board in August.

Background Papers

Nil.

	Threat	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
C1	Impact of changes to the benefit system on income for the housing Department	5	5	25	75% of the Services income is received through Housing Benefit. At 2012 rents this equated to £7.1m. Of the 2700 tenancies 2039 receive help with their housing cost through Housing Benefit. The introduction of Universal Credit and changes to how tenants receive support with housing costs, including no direct payments to landlords, poses a risk to the Services income. The loss of housing benefit for under occupation of bedrooms is also having an impact on tenants.	A six point plan will be progressed to mitigate the risk focusing on the introduction of Universal Credit, new under-occupation rules, changes to non-dependant deductions and a Communication Plan. The Service has recently reviewed it's Income Strategy. It will operate a firm but fair approach to assist tenants during the changes whilst ensuring rents due are collected. A new post has been created to assist with income recovery it is anticipated that this post will be cost neutral. Housing officers carry out a pre-tenancy interview to understand who their customers are and how it will be best to engage with them in the future.	Assistant Director - Housing	5	4	20
C2	Future financial stability and sustainability of the Council.	5	5	25	Without sufficient funding plans discretionary services may be at risk of reduction or closure. Statutory services may be delivered with reduced service levels. Staff redundancies may not be avoidable. Funding to external bodies may be reduced. The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans. The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.	The Council has an approved Budget Strategy to 2015-2016. The policies within the Strategy are the basis for the Council's General Fund revenue budget and its Medium Term Financial Plan. The Budget Strategy led to a restructuring of services and the Council as a whole, but recognised that further restructuring was required to achieve the desired balanced budget by 2015-2016. The Council has planned to use its reserves to set the pace of change but should its main funding reduce further than expected, this will impact on its plans. The Council produced a longer term financial plan in 2013-2014 The impact of restructuring is closely monitored by Management Board, including recruitment and resourcing challenges in statutory services. The Council has a Workforce Strategy. The Council continues to bid for funding of all kinds when it becomes available and although this is not sustainable funding, it does support the delivery of the Councils Priorities.	Executive Director and Director of Resources	4	4	16
C3	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 company checks on our contractors The Council retains the intellectual property and assets that will support continuity of services	Management Board	3	4	12
C4	Level of sickness worsens	4	4	16	A significant increase may impact on the Council's capacity to deliver services.	The Council has put a number of measures in place to reduce the current levels of sickness. Details of sickness management will be reported to Management Board on a quarterly basis.	Director of Resources	4	3	12

C5	Performance of service delivery contractors.	3	3	9	Failure to deliver key services. Public dissatisfaction with the service. Public health risk.	The Council has agreed contingency plans with the contractor which are incorporated in the contracts. Protracted industrial action is covered in the contract. The Council is proactively monitoring service delivery and development	Assistant Director - Community Services	3	3	9
C6	Impact of Welfare Reform changes	4	4	16	Increasing numbers of residents experience difficulty in meeting their housing costs and risk homelessness.	1. Continue to support and work with advice agencies throughout the Borough to assist residents to receive appropriate advice. 2. Maximise the Discretionary Housing Payments fund and assist residents in the most challenging financial circumstances to look for longer-term solutions to their problems. 3. The Council has developed a Homeless Strategy based on our approach of preventative work to assist residents under threat of losing their homes and assist those who are homeless, to resolve their issues.	Assistant Director - Housing	4	3	12
C7	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 is committed to complete the site assembly. The project can progress in phases subject to the availability of funding.	Executive Director	3	4	12
C8	Not having appropriate governance arrangements in place	2	3	6	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 through the workforce development strategy Performance management Risk management	Director of Resources	2	2	4
C9	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 Group has strengthened the Council's H&S arrangements. Management group has identified improvements to health and safety management and as a result a H&S forum will be established. All staff have received electronic H&S training.	Executive Director	2	3	6
C10	Capacity to undertake statutory inspections, investigations and enforcement action.	5	5	25	Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.	Consultancy services are brought in as required for specific issues or to backfill where Council officers deal with complex cases	Assistant Director - Regeneration and Built Environment	4	4	16
C11	Legal challenge to Procurement of contracts	2	3	6	Unexpected legal costs and fines. Potentially no agreed contract to cover service due to previous contract lapsing.	Training of staff involved in high value procurement and audit checklists. The Council has introduced corporate logging of contracts	Assistant Director - Regeneration and Built Environment	1	3	3
C12	Information Technology security breach	3	5	15	Corrupt systems and loss of data. Withdrawal of Public Sector Network access. System downtime impacting on service delivery.	Up-to-date Information Security Policy. Staff using email and internet sign up to the Policy. Management overview of email and internet usage. Individual virtual servers for discrete business areas. Business continuity plan.	Director of Resources	1	3	3

C13	Incidents of fraud, bribery or corruption	2	2	4	It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.	Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit	Director of Resources	1	2	2
C14	Major incident affecting service delivery	1	5	5	Widespread damage due to fire, flooding or severe weather.	Business continuity plan. Contingency plans. Remote access to Council systems	Director of Resources	1	4	4
C15	Major incident affecting ICT systems	1	4	4	Damage to Council's ICT infrastructure due to fire or flooding. Failure of ICT systems may adversely affect service delivery.	Disaster recovery plan Business continuity plan. Contingency plans. Remote access to Council systems	Director of Resources	1	3	3

Operational risks August 2014

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O1	Not having adequate staffing to deliver key services.	4	5	20	Key services, including statutory services and demand led services cannot be delivered.	<p>The main key services apart from housing, leisure and enforcement are contracted out.</p> <p>Management Board co-ordinate leave to ensure that senior management is available.</p> <p>Staff holiday planning is undertaken by the managers within departments.</p> <p>Consultancy services are used where unplanned absences will result in statutory services being adversely affected. The Council has also agreed mutual aid arrangements for professional support with other local authorities.</p>	Management Board	3	4	12
O2	Access to operational buildings.	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	<p>The Council has a Business Continuity Plan.</p> <p>Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities.</p> <p>Key back office functions performed in the Town Hall can be carried out from other operational buildings.</p> <p>There are several key holders for each operational building.</p>	Executive Director	1	3	3

Operational risks August 2014

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O3	Inadequate cashflow for operational purposes.	2	5	10	<p>Unable to make payments to benefit recipients, pay staff, pay contractors or suppliers.</p> <p>See item # relating to benefit payments.</p> <p>Services may be suspended or withdrawn should the Council not pay its debts.</p>	<p>The Council's cashflow is monitored daily against projections that are made for the year.</p> <p>The Council pays by BACS and CHAPS and does not issue cheques which can cause fluctuations in cashflow depending on when they are presented by the payee.</p> <p>The Council has an overnight account with its bank with a sufficient balance to cover unexpected payments.</p> <p>It is possible to call investments back before maturity; this incurs a penalty.</p> <p>The Council has headroom within its borrowing limit to draw down either a temporary or long term loans.</p>	Borough Treasurer	1	2	2
O4	Unable to collect household waste.	3	5	15	<p>Households would potentially have side waste if the refuse container filled up due to delays in collections.</p> <p>There are health and safety issues with holding waste and particularly side waste for householders.</p>	<p>The waste collection service is contracted out.</p> <p>There is a waste management snow plan.</p> <p>There is capacity within the week to put on additional collections to catch up from any delays.</p>	Assistant Director - Community Services	2	3	6
O5	Unable to pay housing benefits to claimants.	3	5	15	<p>Housing benefit recipients would be unable to pay their rent and this may jeopardise their tenancies.</p>	<p>The BACS file is produced by the Council's contractor a day ahead of time.</p> <p>The Council has support for BACS from its supplier and from its bank.</p> <p>Payments can be made by alternative methods in exceptional circumstances.</p>	Director of Resources	2	2	4

Operational risks August 2014

	Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
O6	Maintenance of Council housing stock to decent homes standard.	2	5	10	Living conditions and safety of tenants may be adversely affected.	The housing maintenance programme is provided by a contractor. The housing department's maintenance team closely monitor	Director of Resources	1	3	3
O7	Availability of homeless accommodation.	2	5	10	Nowhere to temporarily house homeless people.	The Council has arrangements with several local hotels and has an account set up with the Travel Lodge now set up. The Council also maintains some dispered accommodation.	Assistant Director - Housing	1	3	3
O8	Unplanned outage of the cremator.	2	5	10	Services are pre-booked and there would be disruption to users in reschduling or transferring the services. There would be a loss of income.	The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined.	Assistant Director - Community Services	2	3	6
O9	Failure of swimming pool filters or other breakage.	2	4	8	The swimming pool would be unavailble to users until fixed. If the outage ran over weeks, the gym & swim members may request a partial refund. There would be a loss of income.	The daily checks carried out on the swimming pool and associated plant would identify potential areas of concern and the appropriate contractor would be brought in to address the issues raised.	Assistant Director - Community Services	2	3	6

		Part One
AUDIT COMMITTEE		(D) Agenda Item 12
Date of Meeting:	11th December, 2014	
Reporting Officer:	Corporate Support Manager	
<p>Title: Monitoring Priority 1 Recommendations</p> <p>Summary and Conclusions:</p> <p>Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>		

Report

Internal Audit undertakes reviews of Council's systems as defined in the annual audit plan. The audit conclusion may include priority 1 recommendations which relate to major issues that need to be brought to the attention of senior management. Senior managers consider the recommendations and determine whether to accept or reject them. If the recommendation is accepted the manager is agreeing to implement the recommendation.

To ensure all agreed Internal Audit Priority 1 recommendations are implemented in a timely manner they are now tracked by Management. To date there has not been any additions to this list in 2014/15.

There is an outstanding Priority 1 recommendation from 2012/13 relating to the Council's business continuity arrangements. The Council's business continuity arrangements were agreed by Management Board at their meeting in November. The Council's Business Continuity Plan will be submitted to the Executive Committee in January 2015 for approval.

The disaster recovery arrangements involve transferring operations to the Park Leisure Centre if the Council functions cannot be operated from the Town Hall. This is part of a larger project to upgrade the Council's Wider Area Network (WAN) system. Under the new arrangements the Council's data will be stored using a replicate Storage Area Network (SAN) which is remote from the Town Hall. The data will be accessed from the leisure centre via a microwave repeater. Essential staff will migrate to the leisure centre to deliver the Council's priority services. It is anticipated that the Council will be able to deliver these priority services within 72 hours of any major disruptions which impacts on the operability of the Town Hall.

Background Papers

Nil

Barrow Borough Council Priority 1 Recommendations 2012/13

Audit Report	Recommendation	Responsible Officer	Current position
<p>RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)</p>	<p>In order to strengthen its Business Continuity Management (BCM) arrangements, the Council should :</p> <p>a) designate a senior officer to be responsible for developing and maintaining its BCM procedures;</p> <p>b) clearly define the roles and responsibilities of the Management Team and an Incident Management Team in respect of BCM;</p> <p>c) consider suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises;</p> <p>d) promote, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities.</p>	<p>Executive Director</p>	<p>Partially implemented</p> <p>The Council has identified the Executive Director as the responsible officer for developing BCM procedures.</p> <p>Members of Management Board have clearly defined roles for identifying operation risks and using the information to assist in the development of the Business continuity plan.</p> <p>The operational assurance group will consider training needs and present them to management Board.</p> <p>No progress to date</p>

Audit Report	Recommendation	Responsible Officer	Current position
RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)	<p>The Council should produce a formally approved and up to date Business Continuity Plan, considering the following potential areas for inclusion:</p> <ul style="list-style-type: none"> • clearly defining the scope of its BCM coverage and its links with Emergency Planning and other relevant policies and procedures; • approving a formal BCM policy/strategy; • reviewing and documenting the Business Critical Activities (BCAs) for each of its services; • carrying out an impact analysis which assesses the risks of, and the effect of, disruption to BCAs and also identifies the period that the Council can function without each BCA and the requirements/resources to recover that BCA; • including a corporate incident management plan which designates a team to manage an incident, sets out procedures and 	Executive Director	<p>Not Implemented</p> <p>The Policy Review Officer will prepare a draft Business Continuity Plan based on the operational risks that are identified by Management Board</p>

Audit Report	Recommendation	Responsible Officer	Current position
	<p>resources to enable services to resume and identifies accommodation/communications for the team and key service staff;</p> <ul style="list-style-type: none"> • formulating individual departmental plans to describe the processes needed to recover from an incident affecting their BCAs; • ensuring that the plans consider the costs, feasibility and practicality of contingency measures; and • regularly testing and reviewing these arrangements. 		

