BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Wednesday, 18th March, 2009
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 17th December, 2008 (copy attached).

6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

(D) 7. Audit Commission Reports.

(D) 8. Benefit Service Improvement Plan.

(D) 9.   Internal Audit – Progress Reports April 2008 to March 2009.

(D) 10.   Internal Audit Plan 2009-2010.

(D) 11.   Internal Audit Final Reports.

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

Membership of Committee

Councillors   Heath (Chairman)
                   Unwin (Vice-Chairman)
                   Begley
                   Jefferson
                   McCavish
                   M. A. Roberts

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting: 17th December, 2008
at 2.00 p.m.

PRESENT:- Councillors Unwin (Vice-Chairman), Begley and Jefferson.

17 – Apologies for Absence

An apology for absence was received from Councillor Heath (Chairman).

18 – Minutes

The Minutes of the meeting held on 24th September, 2008 were taken as read and confirmed.

19 – Audit Commission – Tackling Health Inequalities in Cumbria

The Borough Treasurer submitted the report which was produced by the Audit Commission as part of their Cumbria wide audits. Caroline Fogwill the Audit Manager for the Northern Region attended the meeting and presented the report to Members and answered their questions.

The organisations involved in this audit were Allerdale District Council, Barrow Borough Council, Carlisle District Council, Copeland District Council, Cumbria County Council, Cumbria Partnership NHS Foundation Trust, Cumbria PCT, Eden District Council, Morecambe Bay Hospitals NHS Trust, North Cumbria Acute Hospitals NHS Trust and South Lakeland District Council.

She reported that inequalities were defined in different ways by different people. For this review the Audit Committee had considered health inequalities as they related to:-

• Access to services, especially those for health;
• The underlying determinants of health, for example in housing and education;
• Geographical differences in morbidity and mortality; and
• Different ethnic and socio-economic groups.

The review used key lines of enquiry to address three key objectives:

1. To assess the effectiveness of existing partnership arrangements in tackling current and future health inequalities across Cumbria;
2. To support the joint work programme of PCT's, local authorities and the voluntary sector in identifying specific actions required to address health inequalities; and
3. To inform auditors' value for money conclusions at each audited body.

Although this was not a review of public health and its effectiveness, the Audit Commission did draw on the experience and contribution of public health teams across Cumbria. The report gave an introduction to the audit as well as its background, scope and objectives, the audit approach and management, main conclusions, detailed findings and a number of recommendations. The auditors also suggested a number of ways forward.

It was moved by Councillor Jefferson that this report be sent to Management Board for them to identify any of the recommendations which could be carried forward by the Borough Council. This was duly seconded by Councillor Unwin and agreed by consensus of the meeting.

Caroline Fogwill, the Northern Regional Audit Manager also updated Members on the progress of the Audit Commission and stated that the 2007/08 Accounts were now complete and the drafted report would be submitted to John Penfold within the next week.

RESOLVED:- (i) That the report be received; and

(ii) That Management Board consider the recommendations contained within the report to see if any would be the responsibility of the Borough Council.

20 – Internal Audit Progress Report April to December 2008

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. A copy of the Internal Audit Progress Report from April – December 2008 had been appended to his report.

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

The report contained a statistical summary of the total number of recommendations (58). It was noted that 55 had been fully accepted, 2 partly accepted and 1 had not been accepted. Each of the recommendations had been assigned a priority, graded 1 to 3; 1 being major issues and 3 being minor issues. A breakdown of restricted assurance audits had been appended to the report.

With regards to the Restricted Assurance Audits, Members noted their concerns with regards to audit number 08-05 (Barrow Park) and the fact that it had still not been completed. They requested that this be carried out as soon as possible.

RESOLVED:- That the report be received and noted.

21 – Internal Audit – Final Reports

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

There were 5 final reports for consideration attached to his report. The assurance levels for these reports were Restricted: 2, Substantial: 3 and no Unqualified. The reports included:-

1. Budgetary Control;
2. Gateway Office Development;
3. Development Control;
4. Craven House North and West Elevations; and
5. Grant Funding;

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

With regards to the Gateway Office Development (Emlyn Hughes House); there were concerns at the increased tender sum of £59,281.63 and asked for details with regards to this matter. Members requested that all future significant changes such as this be reported to the Executive Committee.

Referring to report (4) Development Control; Recommendation No. 3 – "The Council should ensure that valid planning applications are registered within five days of receipt", the Committee requested information as to whether these were national or local guidelines. The Internal Manager would report this back to a future meeting.

RESOLVED:- (i) That the information be noted;

(ii) That all future substantial monetary changes for contracts be reported to the Executive Committee; and

(iii) That the Internal Audit Manager report back as to whether recommendation 3 of the Development Control Final Report was a local or national guideline.

The meeting closed at 2.40 p.m.

AUDIT COMMITTEE	**(D)** **Agenda** **Item** **7**
Date of Meeting: 18th March, 2009	
Reporting Officer: Borough Treasurer	

Title: Audit Commission Reports

Summary and Conclusions:

Five reports by the Audit Commission are submitted to Committee for consideration.

The Appointed Auditor will attend the meeting to present the report and respond to any question Members may have.

Recommendations:

Members are recommended to:

1.   Receive the reports and approve their recommendations; and

2.   Raise any comments or questions with the Appointed Auditor.

Report

The Audit Commission have five reports for consideration:

1. Use of Resources 2007-2008
2. Annual Audit and Inspection Letter 2008-2009
3. Data Quality
4. Audit Opinion Plan 2008-2009
5. Benefits Service Inspection

Background Papers

Nil

(i)   Legal Implications

None

(ii)   Financial Implications

None

(iii)   <u>Health and Safety Implications</u>

None

(iv)   <u>Key Priorities or Corporate Aims</u>

None

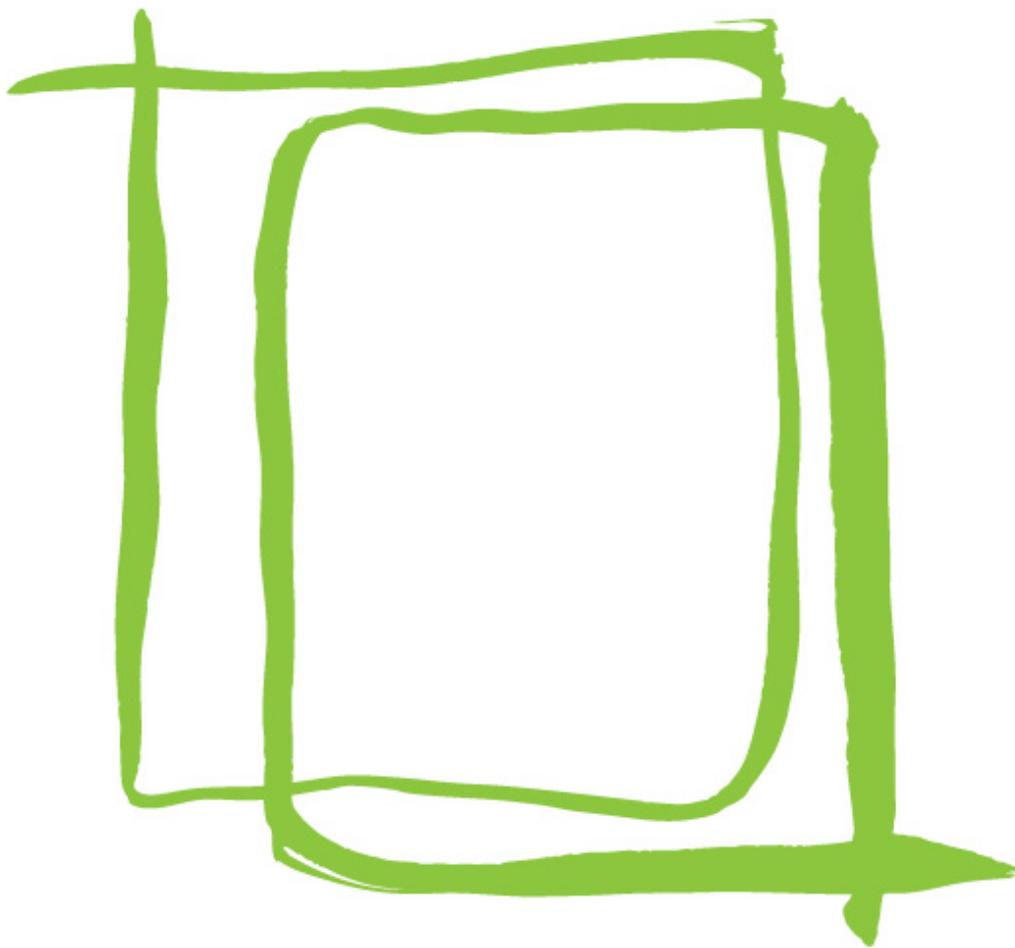(v)   <u>Risk Assessment</u>

None

(vi)   <u>Equal Opportunities</u>

None

Use of Resources

Barrow-in-Furness Borough Council

Audit 2007/08

February 2009

Contents

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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

Introduction

1 The Use of Resources assessment evaluates how well councils manage and use their resources. This is the fourth assessment carried out at the council and is the last under the CPA framework. Next year there will be a new assessment which will form part of the Comprehensive Area Assessment. The Use of Resources assessment focuses on the importance of having strategic financial management, sound governance and effective financial reporting arrangements. These should support your Council in the achievement of its priorities and improving services, whilst delivering value for money.

2 This assessment relates to the financial year 2007/08 and is based on the key lines of enquiry for 2008. Changes to the criteria underpinning the key lines of enquiry were consulted on in April 2007 and the final key lines of enquiry were published in August 2007. These changes were made to:

- reflect developments in professional guidance, legislative requirements and best practice; and

- signal some of the changes proposed for the new use of resources under CAA, smoothing the transition to CAA.

3 The overall use of resources assessment is made up of five themes. Judgements have been made for each theme using the Audit Commission's scale, see Table 1 below. This scale is used across its inspection and performance assessment frameworks.

Table 1   Standard scale used for assessments and inspections

1	Below minimum requirements – inadequate performance
2	Only at minimum requirements – adequate performance
3	Consistently above minimum requirements – performing well
4	Well above minimum requirements – performing strongly

4 In forming our assessment, we have used the methodology set out in the Use of Resources Guidance for Councils 2008, which can be found on the Commission's web site.

5 The five theme scores for Barrow-in-Furness Council are outlined overleaf. Following completion of national quality control, the Commission notified you of your Council's overall score for use of resources and supporting theme scores on 8 December 2008.

6   Under the current assessment the Council's arrangements are deemed to be 'only at minimum requirements - adequate performance'. For the 2008/09 assessment the Council will need to be able to demonstrate that desired outcomes and outputs have been achieved. The new assessment is based less on process and more on outcomes for the people in Barrow.

7   This summary sets out our key findings in relation to each theme and key areas for improvement. Appendix 1 includes the themes and key lines of enquiry for Use of Resources 2009.

Use of resources judgements

Table 2   Summary of scores at theme and KLOE level

Key lines of enquiry (KLOEs)	Score 2008	Score 2007
Financial reporting	**2**	**3**
1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	2	3
1.2 The Council promotes external accountability.	2	2
Financial management	**2**	**2**
2.1 The Council's medium-term financial strategy, budgets and capital programme are soundly based and designed to deliver its strategic priorities.	2	2
2.2 The Council manages performance against budgets.	2	2
2.3 The Council manages its asset base.	2	2
Financial standing	**2**	**2**
3.1 The Council manages its spending within the available resources.	2	2
Internal control	**2**	**2**
4.1 The Council manages its significant business risks.	2	2
4.2 The Council has arrangements in place to maintain a sound system of internal control.	2	2
4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	2	2
Value for money	**2**	**2**
5.1 The Council currently achieves good value for money.	2	2
5.2 The Council manages and improves value for money.	2	2

Theme summaries

8   The key findings and conclusions for each of the five themes are summarised in the following tables.

Table 3   Financial reporting

Theme score 2
Key findings and conclusions
The Council produced and approved accounts in line with the required timetable. Comprehensive working papers were provided which supported the accounts. The accounts were published in line with statutory timetables. The annual report has been published and is available to the public.

KLOE 1.1 The Council produces annual accounts in accordance with relevant standards and timetables, supported by comprehensive working papers.	The Council produced annual accounts in line with the required timetable and these were supported by working papers supplied at the start of the audit. Staff were available and able to answer queries and provide further information where required. An unqualified opinion was given on the accounts.
	Although the accounts were generally of good quality there were errors included in the accounts which reduced the score for 2007/08.
	The judgement is made around whether the accounts present fairly and the number and scale of errors. If the accounts presented for audit did not present fairly then the score on 1.1 is normally only a Level 1. We felt that the nature of the errors did not warrant a score of 1, but having exercised auditor discretion it was not possible then to move beyond Level 2.
	Complex reporting requirements were introduced in 2007/08 requiring new disclosures relating to financial instruments. The 2007 Statement of Recommended Practice required that prior year figures were not restated and that the impact of the re-measurement was to be accounted for in 2007/08. However, the Council's accounts did show restated prior year figures for 2006/07 in the Balance Sheet and the Statement of Recognised Gains and Losses. In order to ensure that the Council's accounts were comparable with other local authorities' accounts, the 2006/07 comparative figures were amended as required by the SORP guidance.

Theme score 2	
KLOE 1.1	There were errors in note 42 to the Cash Flow statement. The deficit on the Housing Revenue Account balance had been included twice in the note. The movement on debtors and creditors incorrectly included capital creditors and debtors. These errors were corrected.
KLOE 1.2 The Council promotes external accountability.	The council publishes its accounts and publicises how local electors can exercise their rights.
	The annual audit letter has been published on the Council's website.
	Minutes and papers for the Council and committee meetings are made available on the Council's website.
	The council also includes financial information presented in a user friendly manner in the annual report. The annual report is available via the Council's website.
	The Council had asked the view of the Local Strategic Partnership for their view on the previous year's annual report. However there was no consideration of the views of a wide range of stakeholders in deciding whether to publish an annual report.

Table 4   Financial management

Theme score 2
Key findings and conclusions
The Council's financial strategy is linked to financial planning and management. Budgets and the capital programme are linked to the medium term projections. Budgets are monitored and corrective action is taken where needed. The council has an asset management plan and reports to members on asset management.

KLOE 2.1 The Council's medium-term financial strategy (MTFS), budgets and capital programme are soundly based and designed to deliver its strategic priorities.	The Council has a medium term financial strategy and has set a balanced budget and capital programme. Budgets are reviewed by senior officers and members. Cash flow monitoring is undertaken. The medium-term financial strategy should reflect other internal plans and strategies, such as the workforce plan and the IT strategy, and be communicated to staff and stakeholders. Business plans produced currently do not: • project forward for three years; • reflect partner and stakeholder views; • external drivers such as funding streams; • the revenue impact of capital schemes; or • the impact that changes in activity may have on budgets.
KLOE 2.2 The Council manages performance against budgets.	Budgets are reviewed by senior officers and members, approved before the start of the financial year and input into the main accounting system. Budgets are delegated to named budget holders who are issued with budget setting guidance. The Council's budgets and monitoring could be improved by producing budget monitoring reports with a risk assessment to ensure that key areas are reported to budget holders, management and members.
KLOE 2.3 The Council manages its asset base.	The Council has an up to date asset register, asset management plan and a process for identifying and approving capital projects. The level of backlog maintenance has been assessed and the Council has a rolling programme of planned maintenance. The Council should use whole life costing to make investment and disposal decisions.

Table 5   Financial standing

Theme score
Key findings and conclusions
The Council is financially sound, and manages its levels of reserves and balances. Current spending plans match available resources

KLOE 3.1 The Council manages its spending within the available resources.	The Council set and maintained spending within budget. There is a reserves policy and a treasury management policy which are subject to review.
	The Council's reserves policy is not based on a thorough understanding of needs and risks.
	IT problems have meant that the Council have been unable to obtain up to date information on the recovery of housing benefit overpayments.

Table 6   Internal control

Theme score
Key findings and conclusions
The council has a risk management process in place. The Council reviews and reports on its system of internal control in the Annual Governance Statement and has an audit committee and an internal audit function.   The council has adopted codes of conduct and has arrangements in place to prevent and detect fraud and corruption.

KLOE 4.1 The Council manages its significant business risks.	The Council has made progress in the year by formalising the risk management arrangements into a risk management strategy. This requires that risks are identified, assessed for likelihood and impact and mitigating controls are identified and allocated to members of staff. The Council maintains and reviews a register of risks and there is a member with responsibility for risk management. Risks are considered as part of policy decisions.
	The Council has made progress in formalising risk management arrangements. However member responsibility for corporate risk management should be identified in the terms of reference of the relevant committees as appropriate.
	To embed these arrangements the council needs to ensure that the process is updated annually and that regular risk management training is available for staff and Members.

Theme score	
KLOE 4.2 The Council has arrangements in place to maintain a sound system of internal control.	The Council has arrangements in place to maintain a sound system of internal control. There is an audit committee with responsibility for reviewing and approving the Annual Governance Statement.
	The Council has an internal audit function which operates in accordance with the CIPFA code of practice. There is a business continuity plan, standing orders, standing financial instructions and a scheme of delegation in place.
	The audit committee currently does not have its own arrangements to follow up recommendations made by internal and external audit on a regular basis.
	The format for the Annual Governance Statement complied with minimum requirements. However the disclosures in the statement would be improved by including the role of the audit and other committees in maintaining and reviewing the overall system of governance. The statement should also indicate the level of assurance that the systems of internal control provide for the Council.
	The Council also needs to ensure that it is driving improvement where it is delivering service through partnerships or other outsourcing. All contracts and Service Level Agreements for outsourced services should set out required standards and include clear penalties for non achievement of agreed standards. Performance monitoring should ensure that where necessary, penalties are enforced.
KLOE 4.3 The Council has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	The council has adopted the code of conduct for members and for staff. There is a counter fraud policy including a whistle blowing policy. A standards committee is in place and the Council has provided the required information for NFI.
	The Council should assess standards of conduct, including an assessment of how members are complying with the code of conduct, the number and type of complaints received and the action taken.
	Fraud and anti corruption work undertaken by internal audit is not currently determined by a formal risk assessment.
	Members should ensure that all declarations of independence including those for related party transactions are up to date.

Table 7   Value for money

Theme score 2
Key findings and conclusions
The Council's costs compare well with others allowing for external factors and reflect priorities. The Council has achieved efficiency gains. Procurement and other spending decisions take account of full long-term costs and benefits, considering cost and quality.

KLOE 5.1 The Council currently achieves good value for money.	Overall costs of providing services are higher than for comparable councils. There are areas where costs are high and satisfaction is also high, for example planning, however there are also areas where costs are high and satisfaction is low, such as housing and council tax benefits. Investment and areas of higher spending are in line with the priorities set out in the business planning process. The Council has a capital programme which is linked to key priorities particularly the regeneration agenda. The Council should be able to demonstrate that investments which have been made in line with the Council's priorities and business plans do lead to improved services or efficiencies. The Council should seek to demonstrate best value compared to other councils providing similar levels and standards of service, for example by using benchmarking information, or through sharing of best practice.
KLOE 5.2 The Council manages and improves value for money.	The council can demonstrate improvements in value for money from procurement and there have been developments in the use of IT to improve access to services including changes to the Council's website. The Council uses information on costs and comparisons with other councils to improve services. Efficiency targets have been met over the three year period. Clear information on costs and the quality of services should be available on a timely basis. This should be used by managers and members to identify the relationship between cost and quality and improve services or efficiency of already good quality services.

Theme summaries

Use of resources 2008/09

9   From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners, known as Comprehensive Area Assessment (CAA).

10   Key lines of enquiry for use of resources were published in May 2008 following consultation. These reflect the needs of CAA and incorporate a number of improvements including: a clearer focus on value for money achievements and further emphasis on commissioning of services, outcomes for local people and partnership working. The new assessment is a more joined up process which focuses on outcomes and outputs rather than the processes in place. Therefore the Council will need to evidence how improved outcomes for Barrow have been delivered.

11   The assessment is structured into the following three themes.

- Managing finances: sound and strategic financial management.
- Governing the business: strategic commissioning and good governance.
- Managing resources: effective management of natural resources, assets and people.

12   Key lines of enquiry are also included in Appendix 1.

13   The approach to use of resources will continue to be risk based and proportionate, drawing on evidence from previous years where relevant. Not all key lines of enquiry in the managing resources theme will be assessed each year. For district councils, auditors will assess work force planning in 2008/09, but will not assess natural resources and strategic asset management.

14   The Commission will specify each year in its annual work programme and fees document which key lines of enquiry will be assessed in that year.

Appendix 1 – Use of Resources 2009 - Overall approach and key lines of enquiry

Managing finances

How effectively does the organisation manage its finances to deliver value for money?

1.1 Does the organisation plan its finances effectively to deliver its strategic priorities and secure sound financial health?

KLOE focus

1   The organisation:

- integrates financial planning with strategic and service planning processes on a medium- to long-term basis;

- engages local communities and other stakeholders in the financial planning process;

- manages spending within available resources and is financially sound over the medium term; and

- recognises individual and collective responsibilities for financial management and values and develops financial skills.

1.2 Does the organisation have a sound understanding of its costs and performance and achieve efficiencies in its activities?

KLOE focus

2   The organisation:

- understands its costs, including whole life, transaction and unit costs, the main factors that influence these and how they link to performance;

- takes account of this understanding of its costs and performance in decision making and commissioning; and

- identifies the scope for making efficiencies and is on track to achieve planned efficiencies.

1.3 Is the organisation's financial reporting timely, reliable and does it meet the needs of internal users, stakeholders and local people?

KLOE focus

3   The organisation:

- produces relevant, timely and reliable financial monitoring and forecasting information;

- uses financial and related performance information to monitor performance during the year;

- produces financial reports that are clear, relevant and concise to support strategic decision making;

- prepares accounts that meet statutory requirements, financial reporting standards and present fairly, or give a true and fair view of, the financial performance and position; and

- publishes reports that provide an objective, balanced and understandable assessment of the organisation's performance in the year.

Governing the business

How well does the organisation govern itself and commission services that provide value for money and deliver better outcomes for local people?

2.1 Does the organisation commission and procure quality services and supplies, tailored to local needs, to deliver sustainable outcomes and value for money?

KLOE focus

4   The organisation:

- has a clear vision of intended outcomes for local people which shapes its commissioning and procurement, and is based on an ongoing analysis and understanding of needs;

- involves local people, partners, staff and suppliers in commissioning services;

- seeks to improve the customer experience, quality and value for money of services through service redesign, making effective use of IT;

- understands the supply market and seeks to influence and develop that market;

- evaluates different options (internal, external and jointly with partners) for procuring services and supplies; and

- reviews the competitiveness of services and achieves value for money, while meeting wider social, economic and environmental objectives.

2.2 Does the organisation produce relevant and reliable data and information to support decision making and manage performance?

    KLOE focus

5   The organisation:

- produces relevant and reliable data and works with partners to ensure the quality of partnership data;

- understands the needs of its decision makers and provides them with information that is fit for purpose and is used to support decision making;

- ensures data security and compliance with relevant statutory requirements; and

- monitors performance against its priorities and targets, and addresses under-performance.

2.3 Does the organisation promote and demonstrate the principles and values of good governance?

    KLOE focus

6   The organisation:

- has adopted, promotes and demonstrates, the principles of good governance;

- maintains focus on its purpose and vision;

- demonstrates a strong ethical framework and culture; and

- applies the principles and values of good governance to its partnership working.

2.4 Does the organisation manage its risks and maintain a sound system of internal control?

    KLOE focus

7   The organisation:

- has effective risk management which covers partnership working;

- has a clear strategy and effective arrangements, including allocation of appropriate resources, to manage the risk of fraud and corruption; and

- has a sound system of internal control including internal audit.

Managing resources

How well does the organisation manage its natural resources, physical assets, and people to meet current and future needs and deliver value for money?

3.1 Is the organisation making effective use of natural resources?

KLOE focus

8   The organisation:

- understands and can quantify its use of natural resources and can identify the main influencing factors;

- manages performance to reduce its impact on the environment; and

- manages the environmental risks it faces, working effectively with partners.

3.2 Does the organisation manage its assets effectively to help deliver its strategic priorities and service needs?

KLOE focus

9   The organisation:

- has a strategic approach to asset management based on an analysis of need to deliver strategic priorities, service needs and intended outcomes;

- manages its asset base to ensure that assets are fit for purpose and provide value for money; and

- works with partners and community groups to maximise the use of its assets for the benefit of the local community.

3.3 Does the organisation plan, organise and develop its workforce effectively to support the achievement of its strategic priorities?

KLOE focus

10 The organisation:

- has a productive and skilled workforce;

- knows in the medium to longer term what staff it will need, with what skills, and has plans to achieve this;

- engages and supports staff in organisational change; and

- has policies which support diversity and good people management.

The Audit Commission

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.

Annual Audit and Inspection Letter

Barrow-in-Furness Borough Council

Audit 2008-2009

March 2009

audit commission

Contents

Status of our reports

The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors/members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

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- any third party.

Key messages

1   During 2007/08 the Council has improved services in areas that it has identified as key priorities. This includes supporting economic regeneration, housing market renewal, tackling worklessness, street cleanliness and environmental improvements and facilities and activities for young people. The Council's overall rate of improvement in the last year was slightly below average compared to other councils.

2   A Benefits Service inspection undertaken by the Audit Commission in 2008 found that the service was poor with poor prospects for improvement. The Council needs to focus on improving the performance of the Benefits Service to provide a better service to the people of Barrow.

3   The Council is making a positive contribution to wider community outcomes in a number of areas, including supporting the development of new social and private housing, improving community safety, and improving the energy efficiency of its own accommodation and private sector housing.

4   The Council has carried out initiatives to improve the health of residents with partners. Organisations in Cumbria have a strong commitment to tackling health inequalities and an increasing focus on collaborative action but there remains a need for clarity as to what, and how, current and future initiatives across partners will contribute to a reduction of health inequalities across Cumbria.

5   The Council has identified key priorities and associated objectives for 2008-2011 but generally it is difficult to identify intended, quantified outcomes. As a result it is not always clear that objectives and targets are challenging and how performance and progress will be monitored.

6   The Council has yet to implement a new pay and grading system that meets equality standards. The Council also needs to develop a workforce strategy which supports the Council's stated priorities and which considers efficiencies that could be made through providing services jointly with other Cumbrian authorities.

7   We issued an unqualified opinion on the Council's accounts and an unqualified value for money conclusion on 24 September 2008.

8   Overall the Council continues to have adequate arrangements in place to manage its use of resources. Under the use of resources assessment from 2009 onwards the Council needs to be able to demonstrate that these arrangements have lead to better outcomes for the people of Barrow-in-Furness.

Action needed by the Council

9   The national economic downturn will increase the pressures on all councils in 2009. The Council should proactively manage its finances and other resources to deal with these pressures, particularly where costs and demands for services are increasing.

10 The continuing actions for the Council which relate to members' responsibilities include the need to:

- continue to monitor the performance of the housing benefit service, and fully implement the action plan to improve performance in line with challenging targets;

- strengthen the arrangements for ensuring appropriate use of resources. This should consider the requirements of the new use of resources assessment to be in place from 2008/09, which will review arrangements against new and more challenging criteria;

- ensure that service plans identify clear targets and that action plans are measurable;

- consider areas where services and functions could be better delivered through shared services;

- agree specific actions and objectives across partners to address the objective of reducing health inequalities across Cumbria;

- ensure that business planning identifies actions, timescales and outcomes to measure progress against identified priorities;

- monitor the implementation of a new pay and grading system; and

- develop a workforce strategy designed to deliver the Council's key aims and objectives.

Purpose, responsibilities and scope

11 This letter provides an overall summary of the Audit Commission's assessment of the Council. It draws on the most recent Comprehensive Performance Assessment (CPA), the findings and conclusions from the audit of the Council for 2007/08 and from any inspections undertaken since the last Annual Audit and Inspection Letter.

12 We have addressed this letter to members as it is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that it safeguards and properly accounts for public money. We have made recommendations to assist the Council in meeting its responsibilities.

13 This letter also communicates the significant issues to key external stakeholders, including members of the public. We will publish this letter on the Audit Commission website at www.audit-commission.gov.uk. (In addition the Council is planning to publish it on its website).

14 The appointed auditor is responsible for planning and carrying out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, the auditor reviews and reports on:

- the Council's accounts;

- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (value for money conclusion); and

- whether the Council's best value performance plan has been prepared and published in line with legislation and statutory guidance.

15 This letter includes the latest assessment on the Council's performance under the CPA framework, including our Direction of Travel report, and the results of any inspections carried out by the Audit Commission under section 10 of the Local Government Act 1999. It summarises the key issues arising from the CPA and any such inspections. Inspection reports are issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.

16 We have listed the reports issued to the Council relating to 2007/08 audit and inspection work at the end of this letter.

How is Barrow-in-Furness Borough Council performing?

17 Barrow-in-Furness Borough Council was assessed as Fair in the Comprehensive Performance Assessment carried out in 2003. These assessments have been completed in all district councils and we are now updating these assessments, through an updated corporate assessment, in councils where there is evidence of change. The following chart is the latest position across all district councils.

Table 1   Overall performance of district councils in CPA

Source: Audit Commission

The improvement since last year - our Direction of Travel report

18 Barrow-in-Furness Borough Council has improved services many of the areas that it has identified as priorities. The Council's overall rate of improvement last year was slightly below average compared to other councils. In 2007/08, out of 58 national service performance indicators 34 improved or maintained maximum performance and 24 deteriorated or did not improve. Comparative performances shows that a higher proportion of indicators were amongst the best 25 per cent in 2007/08 compared with the previous year (17 indicators, compared with 13 in 2006/07) and a lower proportion were amongst the worst 25 per cent in 2007/08 (18 indicators, compared with 23 in 2006/07).

How is Barrow-in-Furness Borough Council performing?

Improvement in priority areas

19 The Council has improved services in areas that it has identified as priorities and the public say are important to their communities. It is making progress with its aim to enhance the economic and social future of the borough to meet the needs and aspirations of the community and with its six key priorities (2007/08 and 2008/09).

Creating a safer, cleaner, greener borough

20 A safer, cleaner borough is demonstrated by improved street cleanliness (particularly in disadvantaged areas) and less fly-tipping, a Green Flag for Barrow Park and less crime. Environmental improvements include supporting the local community in transforming derelict wasteland on Marsh Street into an attractive public space.

Meeting the borough's housing needs

21 Good progress has been made on meeting the borough's housing needs with the continuing delivery of the housing market renewal programme. The quality of public and private sector housing has improved - the percentage of local authority homes which meet the decent homes standard is amongst the best 25 per cent of councils.

Supporting economic regeneration

22 The Council's support for economic and rural regeneration and tackling worklessness has resulted in additional workspace - including a Cultural Business Centre and an Entrepreneur Centre - with 512 jobs created, 45 jobs safeguarded, fewer Job Seekers Allowance and Incapacity Benefit claimants and support for the long-term unemployed.

Expanding facilities for younger people

23 The Council has expanded activities for young people such as multi-use games areas and summer sports programmes. Engaging young people is a key element of neighbourhood management in the most deprived areas. A Respect Street Soccer project has been highlighted as best practice. Young people are benefiting from improved sports and leisure facilities demonstrated by a 16 per cent increase in ticket sales at the Forum Twenty Eight arts and entertainment centre.

Improving access to services

24 Access to services has improved for groups of citizens, including vulnerable users, but overall progress has been mixed. Neighborhood management has improved access in the borough's most deprived wards with public services jointly located. Reduced and frozen charges at the Park Leisure Centre, which has been refurbished, are encouraging increased participation in sports activities. The Council's website has been enhanced with more on-line services and e-payment facilities. The percentage of abandoned telephone calls from users has reduced from 14 per cent to 10 per cent but is still high.

Improving the efficiency and effectiveness of the Council

25 A Benefits Service inspection undertaken by the Audit Commission in 2008 found that the service was poor with poor prospects for improvement. Further details on the findings of this inspection are included in the service inspections section of this letter.

26   A number of other areas highlighted for development by the Audit Commission following inspections in 2004 and 2007 have not been progressed. The Council remains at level 1 of the Equality Standard for Local Government whereas the majority of councils are at level 2 or above. It has conducted equality impact assessments on only two of its services. As such it has not completed the equality action process for employment and service delivery that would help to ensure and demonstrate fair access for all communities. The Council was also amongst the worst 25 per cent for its score on the duty to promote race equality.

27   Improvements are also needed to the time taken to re-let local authority housing. The Council's performance on recycling/composting, although increasing, is comparatively worse than most other councils and has not significantly reduced the amount of household waste collected and sent to landfill.

28   The Council is making a positive contribution towards wider community outcomes by, for example:

-   assembling and releasing land to develop new social and private housing;

-   supporting other agencies to tackle health inequalities through anti-smoking initiatives and raising awareness about alcohol and drug misuse;

-   helping to improve community safety through the Streetsafe scheme and by working with pub landlords; and

-   reducing energy consumption in its own buildings and improving the thermal efficiency of private sector homes.

Value for Money

29   Further efficiency gains in 2007/08 of £596,780 (£160,780 cashable) - due to revised payment collections, staff restructuring, job creation, renegotiation of the electricity and gas contracts and increased uptake of the holiday purchase scheme - mean that the Council has exceeded its three-year targets. Other initiatives include action to reduce energy consumption in its buildings, which has contributed to energy efficiency savings valued at £100,000 and new contractual arrangements to ensure that tenants with a disability receive home adaptations more quickly and efficiently.

How much progress is being made to implement improvement plans to sustain future improvement?

30   The Council has a range of improvement plans that are linked to its priorities. These plans include: the Waterfront project; working with partners to progress the Health Improvement and Health Inequalities Strategy 2008-2010 Action Plan; meeting the housing needs of the borough through; developing services for victims of domestic violence and for 'frail elderly' users; children's play facilities; and kerbside collection of card and plastics and restricting residual waste to achieve a challenging recycling/composting target of 34 per cent by 2010.

31   In 2008 the Furness Partnership, including the Council, adopted a refreshed Sustainable Community Strategy (SCS) for Barrow and Furness. The SCS sets out a vision for the borough and eight key priorities that link to the Cumbria Local Area Agreement and national and local Indicators.

How is Barrow-in-Furness Borough Council performing?

32   The Council has its own key priorities and associated objectives for 2008-2011 but generally they do not identify intended, quantified outcomes. As a result it is not always clear that objectives and targets are challenging and how performance and progress will be monitored. For example, the Corporate Business Plan contains a description of services, resources and key issues but does not include actions, timescales and outcomes. The new Use of Resources assessment emphasises the importance of outcomes, rather than processes and procedures.

33   Implementation of improvement planning is variable, with not all key objectives and milestones being achieved. In 2007/08 the Council achieved its targets against 13 out of 22 best value indicators that monitor progress against its key priorities but performance against the other 9 was below target. It met or exceeded its targets in the Local Area Agreement (2007/08). During 2008/09, 17 of the priority indicators performance have improved.

34   Adequate arrangements are in place to monitor performance with progress against actions and targets reported by exception to the Management Board, Executive Committee and Overview and Scrutiny Committee. An Audit Committee the implementation by management of internal and external audit recommendations. The Executive Committee is responsible for monitoring financial performance. Management arrangements for ensuring data quality meet minimum requirements. The Overview and Scrutiny Committee is effective at reviewing and stimulating improvements in services such as bulk waste collection and play facilities.

35   Overall the Council has the capacity to deliver its plans but resources in particular areas limit the rate of progress. Days lost to sickness per employee improved marginally in 2007/08 but were still worse than the median. The number of lost days between April and September 2008 was worse than the corresponding period in 2007.

36   Capacity is enhanced through a range of partnerships with third sector and voluntary community based groups, social housing providers and to facilitate regeneration. Service Legal Agreements with partners, including the Cumbria Disability Network, will assist the Council in equality impact assessments to monitor progress against the Equality Standard for Local Government. A health promotion officer and youth sports officer will enable more focus on improving the well-being of target groups.

37   The Council has successfully attracted external funding to support housing market renewal, accommodation for elderly and frail residents, waste minimisation and recycling. The Council's catering partner has contributed to the refurbishment of Forum 28, the Dock Museum and the Park Leisure Centre. External funding for the successful neighbourhood management programme will expire in 2010 with key decisions about future provision yet to be made.

38   The Council has arrangements in place for securing continuous improvement or failures in corporate governance with no significant weaknesses identified that would prevent improvement levels being sustained. It has strengthened its risk management policies and procedures. Overview and Scrutiny Committees are now aligned to the Council's Directorates to focus more effectively on the achievement of the Council's priorities.

39   Arrangements to promote and ensure probity and propriety in the conduct of the Council's business have been enhanced by establishing an Audit Committee and a Local Code of Corporate Governance. The Standards Committee has received an increased number of complaints against elected members - 12 complaints about the Council were made to the Local Government Ombudsman in 2007/08, compared with 9 in 2006/07 and 23 in 2005/06. Planning complaints have reduced from 11 in 2005/06 to 1 in 2007/08.

Service inspections

Benefits Service Inspection

40   The government's inspection and assessment of housing and council tax benefits has transferred from the Benefit Fraud Inspectorate (BFI) to the Audit Commission as a result of proposals in the Local Government White Paper of 2006.

41   During 2008 the Benefits Service at Barrow-in-Furness Borough Council was inspected. The inspection found that the service is poor with poor prospects for improvement. The key findings of the report were as follows.

- The current service is not dealing promptly with benefit claims and changes. Overall performance in this area is falling behind that of other councils and is comparatively poor. Customers had to wait an average of 17 days for their changes to be processed in 2006/07 with the annual figure in 2007/08 showing no improvement.

- The service is not designed around customer needs. Staff have good individual approaches to customer care. However, the Council has not ensured easy access or support from the service or its partners for all customers and potential customers. Benefits take-up is not sufficiently promoted.

- The Service has high comparative costs. The service contract has been in place since 1998 and in 2005 was further extended to 2018. This was not subjected to open competition nor supported by a robust business case. The Council cannot demonstrate that it achieved best value from this procurement decision.

- It achieved comparatively low customer satisfaction levels in 2006/07. Below average performance and satisfaction with high comparative costs mean that the service is not demonstrating value for money.

- The Council did not have a clear focus for its Benefits Service, improvement plans did not address all key weaknesses and only aimed for performance that was below the national average in key areas.

42   The inspection also found:

- the service takes effective action on preventing and dealing with fraud and delivered a good level of counter fraud sanctions in 2007/08;

- benefits staff are knowledgeable and helpful;

- there is good proactive support and advice for people who are council tenants; and

- delivery of the service through the external contract has brought new jobs to the Borough.

43 The inspectors made a number of recommendations including:

- strengthening the Council's performance management by developing a clear vision for improvement of the Benefits Service, service standards, and a greater understanding of the Service among councillors and senior officials;

- improving performance management arrangements for the Service by undertaking systematic benchmarking of costs and performance, setting challenging targets and improving the reporting of performance;

- improving value for money by dealing with claims more quickly and increasing the level of benefit take up; and

- improving the access to the service.

44 In response to the inspection the Council has drawn up and begun to implement an improvement plan.

Health inequalities

45 A cross cutting review of health inequalities (HI) was completed during 2007/08 involving local government and health organisations. This is a key issue for Cumbria as overall approximately 16 per cent of the Cumbrian population lives in areas which are officially rated as among the most deprived in the country. Deprivation results in, amongst other things, significantly greater levels of ill health. Life expectancy between affluent areas of Cumbria and deprived communities varies by as much 19.5 years. The burden of ill health also falls unevenly across communities with increased prevalence of heart disease, respiratory disease and other health problems in the most deprived parts of the county.

46 The conclusions of the report were as follows.

- Organisations in Cumbria have a strong commitment to tackling health inequalities and an increasing focus on collaborative action.

- The Director for Public Health (DPH) provides high profile leadership and his team is now explicitly influencing strategic priorities and commissioning decisions across both councils and NHS partners.

- Councils and the PCT have access to robust public health data and progress is being made on developing health needs analysis that is shared and helps address health inequalities.

- There has been systematic engagement with the voluntary sector, the public and local community groups evident in the work with Action for Health. This approach needs to be extended as part of the work within other partnerships. The PCT, councils and others also need to further increase the involvement of their existing workforces more in promoting and tackling the health inequalities agenda.

- There is scope for organisations to deliver more impact on local health through their own policies and processes in areas such as employment and skills, transport, recruitment, procurement, community engagement, facilities management and construction.

- There remains a need for clarity as to what and how current and future initiatives across partners will contribute to a reduction of health inequalities in Cumbria. Senior public health managers are promoting a mainstreaming approach to HI, as distinct from a specific strategy, but this will require careful management if planned outcomes are to be achieved.

47 The next stage is for partners to agree specific actions and objectives and to systematically embed these into key thematic strategies. Recent changes to the Cumbria Strategic Partnership (CSP) should improve the governance and effectiveness of health inequalities arrangements at this level. This will build on the good work on the county wide scrutiny committee for health and wellbeing.

The audit of the accounts and value for money

48 The appointed auditor has reported separately to the Audit Committee on the issues arising from our 2007/08 audit and has issued an audit report, providing:

- an unqualified opinion on your accounts;

- a conclusion on your value for money arrangements to say that these arrangements are adequate; and

- a report on the Best Value Performance Plan confirming that the Plan has been audited.

49 The opinion and the value for money conclusion were issued on 24 September 2008.

Use of Resources

50 The findings of the auditor are an important component of the CPA framework described above. In particular the Use of Resources score is derived from the assessments made by the auditor in the following areas.

- Financial reporting (including the preparation of the accounts of the Council and the way these are presented to the public).

- Financial management (including how the financial management is integrated with strategy to support council priorities).

- Financial standing (including the strength of the Council's financial position).

- Internal control (including how effectively the Council maintains proper stewardship and control of its finances).

- Value for money (including an assessment of how well the Council balances the costs and quality of its services).

51   For the purposes of the CPA your auditor has assessed the Council's arrangements for use of resources in these five areas as follows.

Table 2

Element	Assessment
Financial reporting	2 out of 4
Financial management	2 out of 4
Financial standing	2 out of 4
Internal control	2 out of 4
Value for money	2 out of 4
Overall assessment of the Audit Commission	**2 out of 4**

Note: 1 – lowest, 4 = highest

52   The Council's arrangements remain adequate overall.

53   From 2008/09, the auditors' assessment of use of resources will be based on new key lines of enquiry and will form part of the new performance assessment framework for local government and its partners.

54   The new assessment focuses on outcomes and outputs rather than the processes in place. Therefore the Council will need to evidence how improved outcomes for the people of Barrow have been delivered.

Data Quality

55   Our review of the Council's data quality arrangements confirmed that requirements are met and data. Strong areas identified are:

- senior managers are taking the lead in managing data quality;
- adequate performance information data collection systems are in place;
- there is a suitably skilled officer taking a corporate role; and
- performance information is used effectively as part of the corporate management of services.

56   Further improvements are needed to improve the quality of data:

- reviewing the data quality policy to ensure that it covers all elements of;
- ensuring performance data from third parties is of adequate quality; and
- providing guidance and training in service areas.

Looking ahead

57 The public service inspectorates have developed a new performance assessment framework, the Comprehensive Area Assessment (CAA). CAA will provide the first holistic independent assessment of the prospects for local areas and the quality of life for people living there. It will put the experience of citizens, people who use services and local tax payers at the centre of the new local assessment framework, with a particular focus on the needs of those whose circumstances make them vulnerable. It will recognise the importance of effective local partnership working, the enhanced role of Sustainable Communities Strategies and Local Area Agreements and the importance of councils in leading and shaping the communities they serve.

58 CAA will result in reduced levels of inspection and better coordination of inspection activity. The key components of CAA will be a joint inspectorate area assessment and reporting performance on the new national indicator set, together with an organisational assessment which will combine the external auditor's assessment of value for money in the use of resources with a joint inspectorate assessment of service performance.

59 The first results of our work on CAA will be published in the autumn of 2009. This will include the performance data from 2008/09, the first year of the new National Indicator Set and key aspect of each area's Local Area Agreement.

Closing remarks

60 This letter has been discussed and agreed with the Borough Treasurer. A copy of the letter will be presented at the audit committee on 18 March 2009. Copies need to be provided to all Council members.

61 Further detailed findings, conclusions and recommendations on the areas covered by audit and inspection work are included in the reports issued to the Council during the year.

Table 3   Reports issued

Report	Date of issue
Audit and inspection plan	March 2007
Annual Governance Report	September 2008
Opinion on financial statements	September 2008
Value for money conclusion	September 2008
Health Inequalities	October 2008
Benefits Inspection	February 2009
Data Quality	February 2009
Annual audit and inspection letter	March 2009

62 The Council has taken a positive and constructive approach to audit and inspection work, and we wish to thank the Council's staff for their support and cooperation during the audit.

Availability of this letter

63 This letter will be published on the Audit Commission's website at www.audit-commission.gov.uk, and also on the Council's website.

**David Hoole, Comprehensive Area Assessment Lead and
Gina Martlew, Appointed Auditor**

March 2009

The Audit Commission

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Data Quality

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

Introduction

1 The purpose of this report is to summarise the findings from our work on data quality for 2007/08.

2 Auditors' work on data quality and performance information supports the Commission's reliance on performance indicators (PI) in its service assessments for comprehensive performance assessment (CPA).

3 Our work on data quality is complemented by the Audit Commission's paper, 'Improving information to support decision making: standards for better quality data'. This paper sets out standards, for adoption on a voluntary basis, to support improvement in data quality. The expected impact of the Audit Commission's work on data quality is that it will drive improvement in the quality of local government performance information, leading to greater confidence in the supporting data on which performance assessments are based.

Scope of our work

4 We have followed the Audit Commission's three-stage approach to the review of data quality as set out in Table 1.

Table 1   Data quality approach

Stage 1	**Management arrangements**
	A review using key lines of enquiry (KLOE) to determine whether proper corporate management arrangements for data quality are in place, and whether these are being applied in practice. The findings contribute to the auditor's conclusion under the Code of Audit Practice on the Council's arrangements to secure value for money (the VFM conclusion).
Stage 2	**Analytical review**
	An analytical review of 2007/08 BVPI and non-BVPI data and selection of a sample for testing based on risk assessment.
Stage 3	**Data quality spot checks**
	In-depth review of a sample of 2007/08 PIs all of which come from a list of specified BVPIs and non-BVPIs used in CPA, to determine whether arrangements to secure data quality are delivering accurate, timely and accessible information in practice. For 2007/08 PI spot checks, the Audit Commission specified that it is compulsory to review two housing benefits PIs at all single tier and district councils as a minimum.

5 The review of management arrangements assesses the arrangements in place using the Audit Commission's scale, see Table 2 below.

Table 2

Below minimum requirements – inadequate performance
Only at minimum requirements – adequate performance
Consistently above minimum requirements – performing well
Well above minimum requirements – performing strongly

6 This scale is used across its inspection and performance assessment frameworks.

7 As this is the third year of applying this approach to data quality, we tailored our work to focus on the key changes and actions taken to address previously identified weaknesses and recommendations.

Summary conclusions

Stage 1 – Management arrangements

8 The Council's overall management arrangements for ensuring data quality meet minimum requirements

9 Improvements have been made in year and strong areas are as follows.

- Senior managers are taking the lead in managing data quality.

- adequate performance information data collection systems are in place.

- There is a suitably skilled officer taking a corporate role.

- Performance information is used effectively as part of the corporate management of services.

10 Areas still needing improvement are:

- ensuring performance data from third parties is of adequate quality; and

- providing guidance and training in service areas.

Stage 2 – Analytical review

11 Our analytical review work at Stage 2 identified that the PI values reviewed were substantiated by evidence.

Stage 3 – Data quality spot checks

12 Our review and spot checks of PIs found the following.

- Recycling performance (BVPI 82a): **fairly stated**.
- Processing new claims HB/CTB (BVPI 78a): **fairly stated**.
- Processing change of circumstances (BVPI 78b): **unfairly stated**.

13 An action plan has been agreed with the council (see Appendix 1) to address the issues arising from this review.

Detailed findings

Management arrangements (Stage 1)

14 Overall, the Council's corporate arrangements for data quality meet minimum requirements.

Governance and leadership

15 The responsibility for guidance, monitoring and review of data quality is allocated and understood at service level, but strategic responsibility for promoting and improving data quality across the Council has not been formally assigned to a member of the Council's Management Board. Service managers are responsible for the accuracy of performance data and validation checks are carried out. Checks of the quality of performance data are being carried out at a corporate level by the Policy Review Officer and Internal Audit in selected areas identified by the Council as its service priorities.

Recommendation
R1 Improve governance and leadership by ensuring that strategic responsibility for data quality is formally assigned to an individual at top management level to actively promote a consistent commitment to data quality throughout the Council.

Policies

16 The Council approved a data quality policy in August 2007, but this only referred to Best Value Performance Indicators and did not cover all aspects of data collection, recording, analysis and reporting in all business areas. The data quality policy includes an action plan to improve data quality which the Council is in the process of implementing.

Recommendation
R2 Improve data quality policies by: • ensuring that the data quality policy is reviewed to cover all areas of data collection, recording, analysis and reporting and is applicable to all business areas, including the National Indicator Set; and • fully implementing the reviewed data quality policy action plan.

Detailed findings

Systems and processes

17 An adequate corporate system is in place to collect from service managers the performance indicators, their variance from last year and the reason for any variance. The quality of data is improving and the Chief Executive has promoted a 'right first time' approach through meetings with departmental managers.

18 For the Council's priority areas, data is sample checked by the Policy Review Officer. For selected indicators, system checks are carried out by internal audit.

19 Service managers now validate data prior to entry into the corporate collection spreadsheet.

20 A formalised, corporate approach has not been taken to identifying all third party data and ensuring that it is accurate. Regular data quality discussions are now held with the Council's main third party providers of performance data, but data quality requirements have not been specified in existing information sharing protocols.

Recommendation
R3   Improve the systems and processes for ensuring data quality by clearly setting out the quality requirements for all data supplied by third parties.

People and skills

21 Responsibility for data quality is explicit in the job descriptions of some service managers though this is not consistent across all services.

22 There is adequate expertise in the corporate data quality team, but service staff and managers have not all received adequate guidance and training. Management team recognise this and it was planned in outline last year but it has still not been carried out.

Recommendation
R4   Provide appropriate guidance and training on data quality for all service staff and managers involved in ensuring data quality.

Data use and reporting

23 For the Council's service priorities, BVPI reports are used by management team and scrutiny committee on an exception basis.

Analytical review (Stage 2)

24 An analytical review of the following BVPIs was carried out. They were chosen because the variation between the data for 2006/07 and 2007/08 was deemed to be greater than would normally be expected for the indicator. This degree of variation led to the review in order to identify whether it was due to changes in resourcing, processes, variation in a very small number, or a reflection of data quality. The findings, subject to the validation of a sample of PIs in stage 3 spot checks, are shown below.

Table 3   Analytical review findings

2007/08 Performance indicator	Assessment	Comment
BVPI 82b Composting performance	Variance from 2006/07 attributable to real performance improvement.	Council has invested resources in this area.
BVPI 184a Proportion of Non decent homes	Variance from 2006/07 attributable to real performance improvement.	Council has invested resources in this area.
BVPI 199 Cleanliness of public spaces	Variance from 2006/07 attributable to real performance improvement.	Council has invested resources in this area.

25 All other PIs reviewed were found to be complete and within expected values.

Data quality spot checks (Stage 3)

26 A number of PIs were reviewed using a series of detailed spot checks and audit tests. Two of these, the housing benefits ones, were mandatory for this year, and the other one recycling - was chosen from a list specified by the Audit Commission because of its national importance. Our findings are shown in Table 4.

Table 4   Spot check findings

Performance indicator	Assessment	Comment
Housing Benefits BVPI 78a Average time for processing new claims (housing and council tax benefit).	fairly stated	The results of audit tests were satisfactory.
Housing Benefits BVPI 78b Speed of processing: change in circumstances for housing and council benefit.	unfairly stated	The Council has reported a figure of 17.5 days for this indicator. However it has not used the correct definition to calculate this figure. The Council has not used the Stats 124 form as required in the definition. Instead it has used data from a separate report which has been run for the whole of 2007/2008. This report has produced the figure of 17.5 days. The Stats 124 figure for 2007/2008 is 19.5 days, a difference of two days from that reported by the Council. This difference is 11.43 per cent.
Environment BVPI 82a Recycling performance	Fairly stated	Detailed testing found that systems and accuracy of this indicator were satisfactory.

27 Our data quality audit work across Cumbria this year found that the arrangements for reconciling waste and recycling data, both between councils and with DEFRA could be improved.

Recommendation
R5   Improve the arrangements for reconciling waste and recycling data, both between councils in Cumbria, and with DEFRA

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
6	R1 Improve governance and leadership by ensuring that strategic responsibility for data quality is formally assigned to an individual at top management level to actively promote a consistent commitment to data quality throughout the Council.	3	Director of Corporate Services	Yes	The Director of Corporate Services has strategic responsibility and this will be referenced in the Data Quality policy, which is currently being reviewed.	March 2009
6	R2 Improve data quality policies by: • ensuring that the data quality policy is reviewed to cover all areas of data collection, recording, analysis and reporting and is applicable to all business areas, including the National Indicator Set; and • fully implementing the reviewed data quality policy action plan.	2	Policy Review Officer	Yes	The Data quality Policy is currently being reviewed to reflect the deletion of the BVPIs and the introduction of the National Indicator Set. The current action plan is also being reviewed.	March 2009
7	R3 Improve the systems and processes for ensuring data quality by clearly setting out the quality requirements for all data supplied by third parties.	2	Policy Review Officer	Yes	Arrangements have been agreed with Liberata. Arrangements with SITA have not been agreed, however, we now cross check the SITA data with waste disposal data from Cumbria County Council. Data quality arrangements will be included in the new contract.	March 2010

Appendix 1 – Action Plan

Page no.	Recommendation	Priority 1 = Low 2 = Med 3 = High	Responsibility	Agreed	Comments	Date
7	R4 Provide appropriate guidance and training on data quality for all service staff and managers involved in ensuring data quality.	2	Policy Review Officer	Yes	Training is currently available on request but to date none has been requested. Training will be arranged with appropriate officer.	July 2009
9	R5 Improve the arrangements for reconciling waste and recycling data, both between councils in Cumbria, and with DEFRA.	2	Policy Review Officer	Yes	Arrangements are currently being developed between the Cumbria Strategic Waste partnership and each of the District Councils.	July 2009

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Audit Opinion Plan

Barrow-in-Furness Borough Council

Audit 2008-2009

March 2009

audit commission

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Introduction

1   We issued our initial audit plan for 2008/09 to the Audit Committee on 27 June 2008, which set out the work that we proposed to undertake in order to satisfy our responsibilities under the Audit Commission's Code of Audit Practice. We are required by professional auditing standards to specify the detailed risks that we need to consider as part of our opinion planning work. As the initial audit plan was produced at the start of the financial year for fee purposes, it was not possible to specify these risks. We are now in a position to do this as the opinion work is about to commence. We are required to:

- identify the risk of material misstatements in your accounts;

- plan audit procedures to address these risks; and

- ensure that the audit complies with all relevant auditing standards.

2   We have therefore set out below our approach to identifying opinion audit risks and have considered the additional risks that are appropriate to the current opinion audit.

Identifying opinion audit risks

Organisation level risks

3 As part of our audit risk identification process we need to fully understand the audited body to identify any risk of material misstatement (whether due to fraud or error) in the financial statements. We do this by:

- establishing the nature of the Council's activities;

- identifying the business risks facing the Council, including assessing your own risk management arrangements;

- considering the financial performance of the Council; and

- assessing internal control - including reviewing the control environment, the IT control environment and internal audit.

Information system risks

4 To comply with ISA (UK&I) 315 we need to assess the risk of material misstatement arising from the activities and controls within the Council's information systems. To be able to assess these risks we need to identify and understand the material systems and document that understanding.

5 Material systems are those which produce material figures in the annual financial statements. We have identified that the Council has eight material systems. For these systems we need to demonstrate our understanding by documenting the following.

- How transactions are initiated, recorded, processed and reported in the financial statements.

- The accounting records relevant to the transactions.

- How the Council identifies and captures events and conditions which are material to the financial statements eg depreciation.

- The financial reporting process used to prepare the financial statements.

Assertions

6 When considering the risk of material misstatement we consider what the Borough Treasurer is stating when he signs the financial statements. An audited body's management is responsible for the preparation and presentation of financial statements which present fairly the nature and activity of the Council for the period. In doing so, management are making statements regarding the recognition, measurement, presentation and disclosures of various elements of the financial statements and related disclosures.

Identifying opinion audit risks

7   These representations from management are referred to as assertions about financial statements in ISA (UK&I) 500. The ISA states that we have to ascertain that the financial statements are free from material misstatement at the assertion level. The ISA splits out the assertions and considers their applicability in respect of:

- Income and Expenditure Account items;
- Balance Sheet items; and
- Disclosures and presentational elements of the financial statements.

8   The following table details the relevant assertions for these three categorisations, showing which assertions we need to consider by area of the financial statements.

Identification of specific risks

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

Table 1   Specific risks

Specific opinion risks identified

Risk Area	Assertions	Audit response
Economic downturn may affect the carrying value of assets held and an increase in bad debts.	Valuation and allocation, rights and obligations.	To test the basis of any changes to asset valuations and provision for bad debts.
The Council will need to prepare accounts in line with the requirements of International Financial Reporting Standards from 2010/11. This means that the 2009/10 comparative figures will need to be restated. The transition date for IFRS for local government is 31 March 2009. Barrow Borough Council will need to identify any changes to the 2008/09 figures which are required to restate the comparative figures for the 2009/10 accounts.	All	Liaise with the Council on their progress towards IFRS in line with the approach set out in the Audit Commission's briefing paper of October 2007 - The move to International Financial Reporting Standards - How can your auditor help?

Testing strategy

10   On the basis of risks identified above we 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.

11   Our testing can be carried out both before and after the draft financial statements have been produced (pre- and post-statement testing).

12   Wherever possible, we will complete some substantive testing earlier in the year before the financial statements are available for audit. Where early testing is identified as being possible this will be discussed with officers.

Key milestones and deadlines

13 The Council is required to prepare the financial statements by 30 June 2009. We are required to complete our audit and issue our opinion by 30 September 2009. The key stages in the process of producing and auditing the financial statements are shown in Table 2.

14 We will agree with you a schedule of working papers required to support the entries in the financial statements.

15 On a regular basis, we will meet with the key contact and review the status of all queries. If appropriate, we will meet at a different frequency depending upon the need and the number of issues arising.

Table 2   Proposed timetable

Task	Deadline
Control and early substantive testing	March 2009
Receipt of accounts	June 2009
Forwarding of audit working papers to the auditor	June 2009
Start of detailed testing	June 2009
Progress meetings	Weekly or as required
Present report to those charged with governance at the Audit committee	September 2009
Issue of opinion	By 30 September 2009

Audit fees

16 In our original audit plan, the fee for the opinion audit was based on the best estimate at the time and agreed at £117,050. However as part of our internal review processes of fee setting some changes were made to the split of the audit fee which were not reflected in the audit plan. The table below sets out these differences which affect the split of the fee and make only a minor change to the overall fee. The reason for the differences are that:

• the service inspection of the benefits service was incorrectly included in the overall inspection fee but the HB inspection was grant funded by CLG;

• not all of the days included in the plan for the audit of the financial statements were included in the initial fee calculation. This was identified by our quality control process and then included in the fee calculation; and

• some time which related to the audit of the financial statements had incorrectly been included as Use of Resources in the initial audit plan.

Audit Area	Original Fee £	Revised Fee £
Audit		
Financial statements	56,164	66,982
Use of Resources	37,967	33,920
Data Quality	10,290	10,290
Total Audit Fee	104,421	111,192
Inspection		
Inspection activity	12,629	5,972
Total Audit and Inspection fee	117,050	117,164

17 Having considered the above risks we remain satisfied that the revised fee as set out above is entirely appropriate and no adjustment is therefore required to the total fee.

18 As part of the fee setting process we identified some local risks relating to the Use of Resources. These risks and the associated work will feed into our overall assessment of the Use of Resources and will be reported to management and the audit committee as part of this work.

Progress with 2008/09 audit

19 Currently the 2008/09 audit is in progress. The audit team have updated their risk assessment of Barrow BC, and currently are updating our knowledge and understanding of the material systems operated by the Council. As part of the pre-statements audit we will also identify and test key controls on which we can place reliance.

20 In advance of the post-statements visit we have agreed with the Borough Treasurer that we will hold a meeting with the Borough Treasurer and Deputy Borough Treasurer to discuss any potential issues with the final accounts and to agree timescales and working papers to be provided.

21 The service inspection included in the 2008/09 plan for the Benefits Service has now been completed and the final report has been published.

22 The 2008/09 plan also includes follow up of the work that we undertook in respect of risk management and financial management in 2007/08. We will undertake that as part of the 2008/09 Use of Resources work.

23 We will carry out a diagnostic of the Council's governance arrangements against the Good Governance Standard. We will report the results of this to management and the audit committee.

24 The approach to Use of Resources is changing for 2008/09. The assessment is much more focussed on outcomes for the people in Barrow. The process is a rounded judgement reviewing arrangements against new and more challenging criteria. The assessment draws on our existing knowledge of the Council as well as update information provided by Barrow Borough Council.

25 The timetables for the Use of Resources work are now earlier with an expectation that update information will be available from the end of March.

26 The Audit Commission held a workshop on the new approach to Use of Resources in February, which was attended by officers from Barrow BC. The guidance available to Audit Commission staff is also available to audited bodies.

The Audit Commission

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.

Benefits Inspection

Barrow-in-Furness Borough Council

February 2009
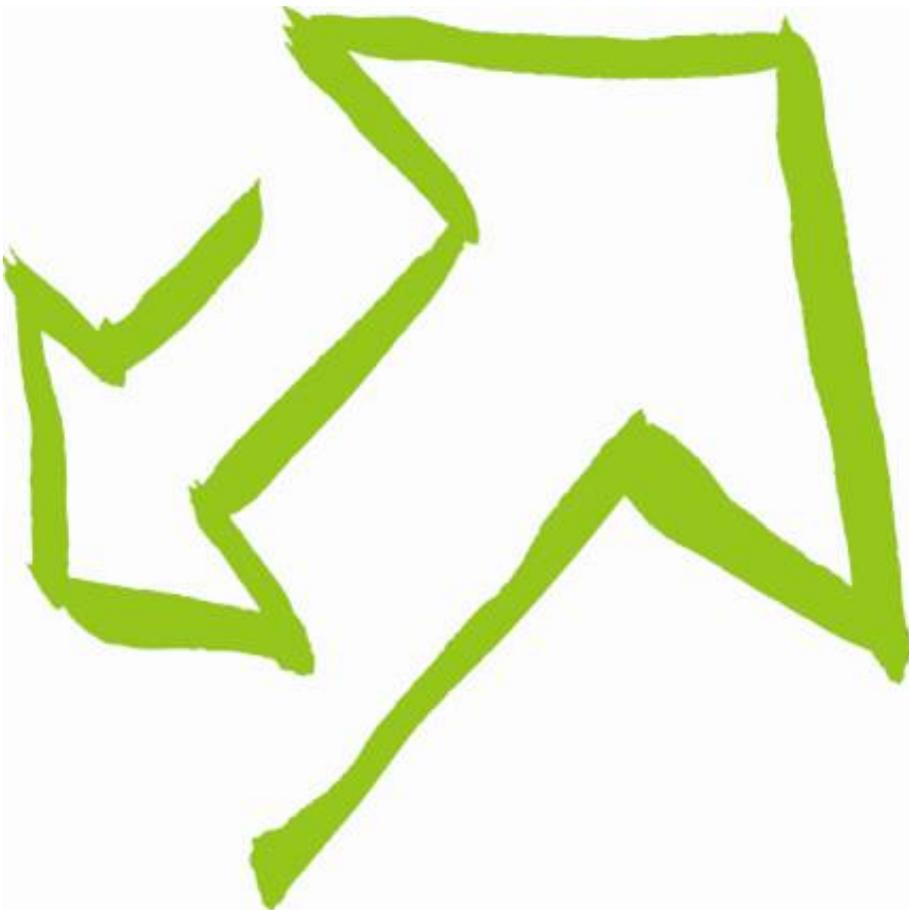
Contents

Service Inspections

This inspection has been carried out by the Audit Commission under section 10 of the Local Government Act 1999 and is in line with the Audit Commission's strategic regulation principles. These principles embody the objectives of our Strategic Plan and Strategic Regulation. They also reflect the principles from The Government's Policy on Inspection of Public Services (July 2003). Audit Commission service inspections should:

- focus on public service outcomes from a user perspective;

- act as a catalyst to help inspected bodies improve their performance;

- concentrate inspection work where it will have most impact, so that it is proportionate and based on an assessment of risk;

- be based on a rigorous assessment of costs and benefits, with a concern for achieving value for money both by the inspected organisation and within the inspection regime itself;

- be, and be seen to be, independent of the inspected organisation;

- report in public, using impartial evidence to inform the public about the performance of public services so as to enhance accountability;

- involve collaborative working with other inspectorates and external review agencies to achieve greater coordination and a more holistic approach to the assessment of performance by audited and inspected bodies;

- share learning to create a common understanding of performance that encourages rigorous self assessment and better understanding of their performance by inspected organisations;

- be carried out objectively by skilled and experienced people to high standards and using relevant evidence, transparent criteria, and open review processes; and

- enable continuous learning so that inspections can become increasingly effective and efficient.

We assess services using published key lines of enquiry (KLOE) to inform our judgements. The KLOEs can be found on the Audit Commission's website at www.audit-commission.gov.uk.

This report is issued in accordance with the Audit Commission's duty under section 13 of the 1999 Act.

Summary

1   The Benefits Service at Barrow-in-Furness is poor with poor prospects for improvement. The Borough suffers from high levels of deprivation and worklessness. The Council's focus on regeneration has been to reduce the number of people in the area claiming benefits, at the same time not ensuring that those entitled to benefits receive it in a timely manner. The contract to deliver the Service has resulted in the creation of new jobs to the area but this is clouding some key performance issues in the Service and is a barrier to future improvement.

2   The current service is not dealing promptly with benefit claims and changes. Overall performance in this area is falling behind that of other councils and is comparatively poor. Customers had to wait an average of 17 days for their changes to be processed in 2006/07 with the annual figure for 2007/08 showing no improvement.

3   The Service is not designed around customer needs. Staff have good individual approaches to customer care. However the Council has not ensured easy access or support from the service or its partners for all customers and potential customers. Benefits take-up is not sufficiently promoted.

4   The Service has high comparative costs. The Service contract has been in place since 1998 and in 2005 was further extended to 2018. This was not subjected to open competition nor supported by a robust business case. The Council cannot demonstrate that it achieved best value from this procurement decision. Below average performance and satisfaction with high comparative costs means that the service is not demonstrating value for money.

5   However, the Service takes effective action on preventing and dealing with fraud and delivered a good level of counter fraud sanctions in 2007. This is part of the Service's statutory role in protecting the public purse.

6   The Council does not have a clear focus for its Benefits Service, improvement plans do not address all key weaknesses and only aim for performance that is below the national average in key areas. Ongoing issues with producing performance data and a lack of contractual financial incentives are significant barriers to improving performance management in the service. There is no clear track record of improvement in the service over the past three years.

7   The Council has limited capacity to improve the service. Contract costs are increasing year on year against a background of decreasing grant support from government. The ability to improve capacity through working in partnership (to increase benefit-take up) is not being maximised.

Scoring the service

8 We have assessed Barrow-in-Furness Borough Council as providing a 'poor' no-star service that has poor prospects for improvement. Our judgements are based on the evidence obtained during the inspection and are outlined below.

Figure 1   Scoring chart[1]

'a poor service that has poor prospects for improvement'
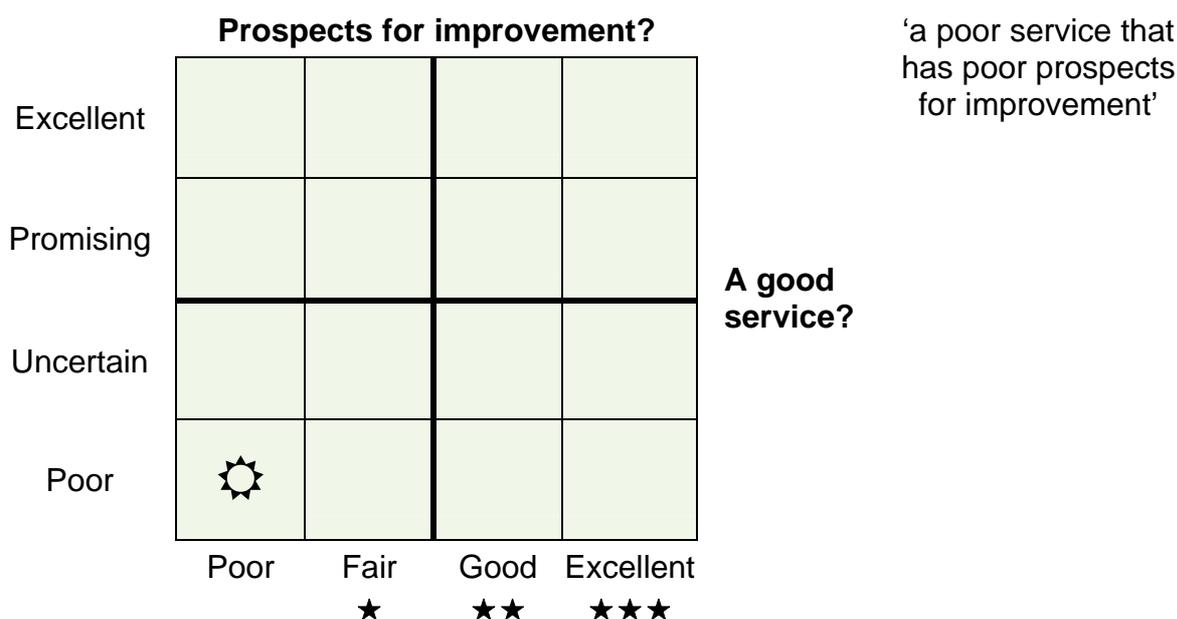
Source: Audit Commission

9 The Service is a poor, no star service because:

- it does not provide a quality or responsive service in terms of processing benefit claims and changes of circumstances. In 2007/08 customers waited an average of 28 days for new claims and 17.5 days for changes to be processed. This is broadly similar to the performance in 2006/07, (the latest available for comparison). These core elements of the service compare poorly with other councils;

- it is not able to report accurately on how well it is recovering benefits that have been overpaid;

- it is not demonstrating value for money; overall performance is below average and this is combined with high comparative costs. A procurement decision to extend the benefits contract to 2018 was not based on the need to improve value and quality of the Service. The contract length and other conditions are not enabling an improvement in value for money;

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[1] The scoring chart displays performance in two dimensions. The horizontal axis shows how good the service or function is now, on a scale ranging from no starts for a service that is poor (at the left-hand end) to three stars for an excellent service (right-hand end). The vertical axis shows the improvement prospects of the service, also on a four-point scale.

- it is not designed around customer or community needs. As a result:
  - customers telephoning the Service can face long waits and have to listen to a lengthy recorded message first;
  - opening hours do not cater easily for those people who work and home visits are not being promoted effectively;
  - there is limited debt and welfare benefit advice available for local people and the support given to customers is not consistent across all client groups;
  - the service is not making adequate progress in terms of developing its approach to equality and diversity issues. It is not helping its most vulnerable customers, for example it is not using all the available funding for discretionary housing payments (DHP); and
  - the service provides information that is difficult for customers to understand and there are no service specific customer standards in place;
- it is not sufficiently promoting the take-up of housing benefit (HB) and council tax benefit (CTB); and
- it achieved comparatively low customer satisfaction levels in 2006/07.

There are some strengths.

- The service takes effective action on preventing and dealing with fraud and delivered a good level of counter fraud sanctions in 2007/08.
- Benefits staff are knowledgeable and helpful.
- There is good proactive support and advice for people who are council tenants.
- Delivery of the service through the external contract has brought new jobs to the Borough.

10 The Service has 'poor' prospects for improvement because:

- it does not have a track record of successfully implementing change. Overall performance has been largely static for the past three years and progress with implementing recommendations from an Access to Services inspection is slow;
- improvement planning is weak. The Council does not have a clear focus for its Benefits Service and improvement is largely being set and driven by its service provider. Plans do not address all current service weaknesses; are not outcome focused and targets aim for performance that is below the national average in key areas. There has been little or no training in benefits provided for councillors;
- performance management is hindered by:
  - the lack of performance rewards and penalties in the service contract;
  - ongoing issues with producing data; and
  - a lack of reporting on what is being delivered on behalf of the Council by the Citizen's Advice Bureau (CAB).
- costs are increasing year on year against a background of decreasing grant support from government; and

Scoring the service

- the Council is not maximizing the opportunities to work in partnership with other organisations, particularly to increase benefits take-up.

However:

- the creation of the customer reception area at the Town Hall (known as First Point) has improved access for visitors; and

- there has been a significant increase in the number of fraud sanctions applied.

Recommendations

11   To rise to the challenge of continuous improvement, councils need inspection reports that offer practical pointers for improvement. Our recommendations identify the expected benefits for both local people and the council. In addition we identify the approximate costs[1] and indicate the priority we place on each recommendation and key dates for delivering these where they are considered appropriate. In this context the inspection team recommends that the Council should do the following.

Recommendation
R1 Strengthen corporate performance management and the value for money of the Service by: - developing a clear vision for the Service reflecting the local context;   - developing the awareness and understanding of the Service by councillors and other stakeholders (eg staff delivering regeneration programmes); and.   - implementing a Service Level Agreement with the Citizens Advice Bureau and other partnerships where appropriate.

The expected benefits of this recommendation are:

- the Service will have a higher profile and clearer purpose and focus for key decision makers;

- the Council will have better control on the quality and value for money of the Service; and

- the Council will have a better strategic overview of the Service to inform future decision making and more effective challenge.

The implementation of this recommendation will have high impact with low costs. An action plan should be drawn up by 31 March 2009 with clear milestones and targets for substantial delivery by March 2010.

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[1]   Low cost is defined as less than 1 per cent of the annual service cost, medium cost is between 1 and 5 per cent and high cost is over 5 per cent.

Recommendations

Recommendation
R2 Improve the performance management arrangements for the contract by: • undertaking systematic benchmarking to include costs and performance; • setting a range of challenging targets with the service provider in line with the contract specification; • improving the information and reporting of overpayments; and • reviewing the scope for better targeting the quality checks carried out.

The expected benefits of this recommendation are:

• the Council will get more from its contract in terms of volume and quality;

• increased impact of the Council's client team; and

• more people are likely to receive benefit payments that are accurate.

The implementation of this recommendation will have high impact with low costs. A baseline should be established by March 2009, an action plan agreed by June 2009 with clear milestones and targets to ensure tangible benefits are delivered by April 2010.

Recommendation
R3 Improve value for money in the Service by: • increasing benefit take-up, targeting areas of under-claiming by vulnerable people in the area; ie increase work volume/caseload at no additional cost to the Council; • improving the time taken to pay benefits by reducing core processing times, aiming to be in the best 25 per cent of councils in line with the service providers stated aims; and • levering additional benefits from the contract wherever possible at no additional cost.

The expected benefits of this recommendation are:

• the Council will get more from its contract in terms of volume and quality; and

• the council will be enabling more people in work but on low incomes, pensioners and others who are currently not claiming, to receive the benefits they are entitled to.

The implementation of this recommendation will have high impact with low costs. A baseline should be established by March 2009, an action plan agreed by June 2009 with clear milestones and targets to ensure tangible benefits are delivered by April 2010.

Recommendation
R4 Improve access and the overall approach to equalities by: • ensuring the Service addresses the needs of all the diverse parts of the community, such as private tenants, owner occupiers, people with physical and mental disabilities. Target support where appropriate; • targeting and making full use of Discretionary Housing Payments (DHP); • improving the clarity and quality of information, letters and forms; • involving service users in service design and improvement; and • implementing and publicising clear customer service standards including the availability of home visits for people who cannot easily get to the Town Hall.

The expected benefits of this recommendation are:

• easier access to help and advice for vulnerable groups; and

• improved quality of information from customers resulting in fewer delays.

The implementation of this recommendation will have high impact with medium costs. An action plan should be drawn up by March 2009 with delivery by March 2010.

Recommendation
R5 For the Benefits Service to be re-inspected in the next 12 to 18 months.

The expected benefits of this recommendation are:

• to provide assurance to benefits customers, council tax payers and the Government that the planned improvements take place; and

• to increase the Council's confidence that they are delivering an improved service with better value for money.

The implementation of this recommendation will have high impact with low costs. This should be implemented by April 2010.

Report

Context

The locality

12 Barrow-in-Furness[1] is one of six district councils in Cumbria and is situated on a peninsular in the extreme south west of Cumbria, between Morecambe Bay and the Duddon estuary. The Borough is largely urban in nature, covering 7,796 hectares and consisting of the coastal town of Barrow-in-Furness, the small market town of Dalton-in-Furness and the parishes of Askam with Ireleth and Lindal. It is geographically isolated and remote from main transport links, being around 35 miles from the M6 and West Coast Main Line.

13 The Borough has a population of 71,800[2], which has been declining, almost entirely due to out-migration of young people of working age. People from minority ethnic communities account for only around one per cent of the population.

14 Barrow is the 29th[3] most deprived out of 354 council areas, and the second most deprived shire district in England. Twenty-four per cent of Barrow's Lower Super Output Areas are in the worst ten per cent deprived areas in England. Because of this, the Borough attracts national government and EU regional development funding. There is a significant regeneration programme in the town.

15 Barrow's economy was built on the heavy industries of iron and steel making and shipbuilding. Though still a shipbuilding town, during the 1990s the ship building yard reduced its workforce from around 14,000 to fewer than 5,000. This has had a severe and long-lasting effect on the economy of the Borough. The number of people claiming Jobseeker's Allowance has reduced to 2.7 per cent[4], although this is still higher than the regional and national average of 2.0 and 1.9 per cent respectively. Average weekly earnings for people living in the Borough are only 88 per cent of the national average at £315.50[5]. House prices have been rising faster than the national average but the average in Barrow of £103,389[6] is still lower than regional and national averages (£152,822 and £208,224 respectively). Eighty-one per cent of homes in the Borough are owner occupied. There is a high demand and waiting lists for social housing provided by the Council or Registered Social Landlords (RSLs).

16 The national quality of life indicators for 2006 show that 23.6 per cent of the working age population are receiving key benefits. This is above the national mean of 13.2 per cent. There is a significant problem with hidden unemployment. The number of people of working age and claiming incapacity benefits is around 5,500, around three times the number of job seekers. 45.1 per cent of households have one or more people with a limiting long term illness.

[1] The Council will be referred to as 'Barrow' in the rest of this report to aid readability.
[2] Population figures provided by the Council
[3] Deprivation figure relates to 2007.
[4] Jobseekers data is for March 2007.
[5] Average gross weekly pay of workers living in the area for 2006.
[6] House prices for 2006

The Council

17 Barrow-in-Furness Borough Council has 36 councillors with no one party having overall control. An Executive Committee governs the business of the Council. Councillors do not have specific responsibilities for service areas or cross-cutting issues. Overview and scrutiny committees are responsible for corporate services and economy and regeneration.

18 The Council's management team comprises the Chief Executive, assisted by two Directors responsible for Corporate Services and Regeneration and Community and the Borough Treasurer. The Council's net budget for 2008/09 is just over £13 million. Some Council services such as housing and council tax benefits, revenues, refuse collection, street cleansing, grounds maintenance and legal services have been externalised.

19 In 2003 the Council was judged to be 'fair' following a Comprehensive Performance Assessment (CPA) inspection. It has been assessed as 'adequate' for achieving data quality in 2007. An Access to Services follow-up inspection reported in 2007 concluded that limited progress had been made since the initial inspection in 2004.

The Council's Benefits service

20 Both HB and CTB are administered by the Council on behalf of the Department for Work and Pensions (DWP). A complex legal framework is in place to define entitlement and to reduce fraud and error in the system. The benefits service within a council has a responsibility to pay the right benefit to the right person at the right time.

21 From 1 April 2008, the Audit Commission became responsible for benefits inspections, following the transfer of powers from the Benefit Fraud Inspectorate (BFI).

22 The local government white paper 'Strong and Prosperous Communities' sets out the aim to give local people and local communities more influence and power to improve their lives. Councils must therefore provide a benefits service that meets ever-changing customer and legislative requirements including:

- reporting on Audit Commission national Best Value Performance Indicators (BVPIs) and assessments including value for money and data quality;

- reporting on the Department for Communities and Local Government (DCLG) National Indicators (NIs) with effect from 1 April 2008; and

- contributing to the delivery of other national, regional and local priorities aimed at reducing poverty and addressing social and economic inequity including targets within the Local Area Agreement.

Report

23　Our responsibility to provide assurance (to government, councils, taxpayers and benefit customers) means that we will consider inspection where there is a current or future risk to the service and its customers. In the case of Barrow-in-Furness Borough Council, the reasons for commissioning the inspection were:

- poor performance in relation to BVPIs; and

- a lack of evidence to support improving accessibility to the Benefits Service for customers.

24　The key objectives of this inspection were:

- to assess the effectiveness of Barrow's Benefits Service in meeting the needs of the vulnerable people it serves, and contributing to the Council's wider regeneration objectives; and

- to provide assurance to the DWP and other stakeholders regarding the quality of service provision.

25　The Benefits Service in Barrow pays out around £22.8 million per year to:

- 7,390 people claiming CTB, around 22 per cent of all households in the Borough;

- 2,150 council tenants claiming rent rebates which is 76.8 per cent of all Council tenants; and

- 3,179 people claiming Rent Allowance of which 504 are tenants of Registered Social Housing and 2,675 are tenants of private landlords.

Of the total 7,785 caseload, 3,488 people are of pension age (44 per cent) and 4,297 are working age.

26　The Council's Benefits Service is outsourced to a private company (referred to in this report as 'the service provider'. The contract to deliver the Revenues and Benefits Service was originally awarded in 1998 for a period of ten years. In 2005, the contract was extended for a further period of ten years to 2018 with further agreement to amalgamate the Council's customer service centre with that of the Benefits Service provided by the service provider in 2006. The contract is managed by the Borough Treasurer's department with around the equivalent of 2.6 full time staff. A Strategic Board comprising Councillors, senior Council staff and the service provider's representatives was established in April 2008 to oversee the contract. The budget for running the Service in 2008/2009 is approximately £1.46 million of which £696,000 is funded by DWP and the balance is met by the Council.

How good is the service?

What has the service aimed to achieve?

27 There is no agreed vision or objectives for the Service. However, the externalisation of the Service in 1998 and contract extension in 2005 had a clear aim to bring jobs to the local area.

28 The Furness Partnership is the local strategic partnership (LSP) and comprises public, private, community and voluntary organisations. It has produced the Barrow Community Plan with the following vision for the area:

> **'In 2024 Barrow Borough will be a prosperous, pleasant healthy and safe environment for our children and for us'.**

29 The partnership has twelve objectives. None are explicitly linked to the Benefits Service, although it could contribute to three:

- address problems of disadvantage in children under 16;

- optimise independence and quality of life for older people; and

- develop more integrated and effective multi-agency partnership working.

30 The Council's Vision as expressed in the Corporate Plan 2008-09 is:

> **'To enhance the economic and social future of the Borough to meet the needs and aspirations of the community'**

31 There are five key aims to support the vision. Again, there are no explicit links to the Benefits Service but it could contribute to all:

- effective community leadership;

- investing in our economic future;

- creating an enhanced quality of life for local residents;

- developing a safe, confident and socially inclusive community; and

- delivering high quality accessible services.

32 Six corporate key priorities (KP) were developed for 2007/08 and continue to be the headline issues for 2008/09 and future years. These are as follows.

- KP 1 – Create a safer, cleaner, greener environment and reduce the gaps between the priority wards and the average.

- KP 2 – Meet the housing needs of the Borough and make decent housing more accessible.

- KP 3 – Provide easier access to services.

- KP 4 – Support economic regeneration.

How good is the service?

- KP 5 – Continue to improve the effectiveness and efficiency of the Council.
- KP 6 – Expand facilities and activities for young people.

33 At corporate level, there is no anti-poverty strategy or similar.

34 The Council, in partnership with other councils in Cumbria and other public and voluntary bodies in the area, is working to deliver shared objectives expressed in the Local Area Agreement (LAA). The LAA has identified a number of issues which a good performing benefit service can contribute to, including targets for: reducing worklessness; moving people from incapacity benefit into work; providing balanced housing markets; and the number of people successfully claiming pension credit as a gateway to other entitlements.

Is the Service meeting the needs of the local community and users?

Access, customer care and user focus

35 The Service is largely designed as a financial function, not around customer needs. The Council has a good understanding of the context for the area and it has access to demographic and other data such as customer feedback. However, the Council has made little use of this and information about people currently claiming benefits in shaping the Service so far. There is, for instance, no particular action to take account of the needs of people in the most deprived areas of the Borough or to tailor the Service to the needs of people in work. This is despite the Council having an awareness that many residents are working but are on low incomes. The Council cannot be sure that the Service is meeting the needs of its residents as a result.

36 Accessing the Service for help and advice is mixed, but on balance, the negative aspects outweigh the positive, particularly in respect of the telephone service. Positive aspects of the Service include:

- First Point, the caller office, which is located in the Town Hall, is centrally situated in the town and easy to get to by public and private transport from all parts of the Borough;
- First Point provides face-to-face access to a range of Council Services at a single location; and
- current average waiting times for visitors are well within the Council's target of 10 minutes.

The weaker aspects of the Service are as follows.

- Customers telephoning the Service can face long waits. Calls are not being answered within the target of 80 per cent within two minutes. There is a lengthy recorded message that the customer has to listen to that does not count towards this two minute target. The recorded message lasts over 20 seconds and the caller is paying for this part of the call. There is a high percentage of abandoned calls; 11.8 per cent between July 2007 and June 2008.

- Opening hours do not cater easily for those people who work and are not consistent across all parts of the Service. The advertised opening hours of the revenues and benefits counter at First Point are an hour shorter each day than those for queries concerning other Council services. They are also shorter than the telephone call centre.

- The Service is closed for personal callers and telephone enquiries on some days that are not bank holidays. In 2008/09 these are the Tuesday and Wednesday following the late May bank holiday and three days over Christmas and New Year.

- The out-of-hours service is not helpful. Customers who telephone when the office is closed get a recorded message saying the caller is being transferred to the operator, but this is followed by a further message that nobody is available to take the call.

- Signage at First Point is poor, with no signs on the outside of the building to indicate this is where benefits queries are dealt with or showing the opening hours. Signs within the Town Hall refer to the service provider by name rather than to the Benefits Service.

- The functionality of the Council's website is limited. The benefits calculator on the website was inaccurate between April and July 2008, although this has since been fixed and enhanced. There is no facility to track a claim once submitted or report a change of circumstances.

- Letters and notification letters are not always easy to understand, and are not presented in Plain English.

- Not all leaflets are helpful, for example those explaining local housing allowance (LHA) do not answer the question posed in the titles and point the customer to telephone the Service for more advice.

These weaknesses are barriers to ensuring that the service is easily accessible for all residents who are claiming benefit or who are seeking advice about their entitlement to claim.

37 Benefits staff are knowledgeable and helpful. Staff dealing with customers face–to-face or on the telephone have a sound knowledge of HB and CTB and have access to all information on the Benefits IT systems. There is a commitment to providing good customer care and customers are treated courteously as a result.

38 Customers are not aware of the level of service they can expect to receive. There are no customer service standards in place. The service provider has set some internal targets for answering the telephone and dealing with visitors but these have not been agreed with the Council and are not publicised. Targets and performance against Best Value Performance Indicators (BVPIs) for dealing with new claims and reported changes are not widely publicised. Without service standards, customers will not be able to measure whether they are getting a good level of service.

How good is the service?

39 Home visits are not being promoted effectively. Visits are undertaken to help vulnerable customers access the service and for staff or customers to request visits to help gather evidence and offer help and advice. However, the service is not advertised. It is not mentioned, for example, on the Council's website. Local representative and support groups are aware of the service and value it. The failure to advertise the service means that customers who are not in contact with such groups, but for whom a home visit would be equally appropriate, are less likely to receive one.

40 The support given to customers is not consistent across all client groups. There is good support provided through the Housing Service for Local Authority tenants. When tenants sign up for a council property or get into rent arrears support is provided to ensure that they are receiving their entitlement to HB and CTB. Housing staff are able to verify documents, which helps with the speed of processing their claims. The support provided by the Council to private tenants, tenants of housing associations and owner occupiers is not as good. The Housing Advice Service does liaise with private landlords and with the Benefits Service to prevent homelessness However, since the Council ceased funding a housing liaison officer post in March 2008, tenants of private landlords and most RSLs have to seek help and advice from the Benefits Service for themselves. The Council does not make use of the scheme under which RSLs can verify documents. The service for non-local authority tenants is, therefore, not as supportive as it could be.

41 The Council is not ensuring easy access to debt and welfare benefits advice for local people. The Service refers customers who need money and welfare advice to the local CAB, providing financial and other support to the CAB to do this. The service provided by the CAB is highly valued but unless people are assessed as a priority case, appointments are not easily available[1]. As a result, people with less serious or urgent needs have to wait for advice.

42 The Service is not maximising take-up of HB and CTB. The Council participates in initiatives such as a joint take up initiative with other Cumbrian councils and awareness days in conjunction with other stakeholders, but such action has been small scale and its impact was not measured. In 2007 the Council took part in the national exercise organised by DWP to invite claims from pension credit recipients who were not in receipt of HB or CTB. Thirty successful claims resulted from this. The Council has not, however, been proactive in carrying out take-up campaigns nor identified where it could best focus take-up activity. As a result, potential customers may be missing out on benefit they would be entitled to.

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[1] The CAB operates a waiting list for appointments. Times vary but it can be weeks before someone is able to access the CAB for advice.

43 Arrangements for consulting, engaging and communicating with stakeholders are mixed.

- The Service has good informal liaison arrangements with the Housing Department for council tenants. The service provider has a nominated contact to resolve problems on individual cases. There are similar liaison arrangements with the local CAB, the largest RSL and the Rent Service. There are regular quarterly meetings with Jobcentre Plus and the Pensions Service. Engaging regularly with stakeholders and having a direct contact in the back office allow more complex cases to be dealt with quickly and efficiently, thereby reducing stress and anxiety for vulnerable people.

- There are missed opportunities to work more proactively with some organisations such as Age Concern and the Neighbourhood Management Team.

- Minutes are not always taken at liaison meetings, in particular the Landlord Forum which is regularly held and well attended. This makes it more difficult to judge the impact of the meetings.

- The Service has some arrangements in place for consulting, engaging and communicating with customers. Feedback is obtained from an annual customer survey and there are some limited examples where this has led to changes. For example, a plasma screen has been installed in the main Town Hall reception area providing information about Council services and a water cooler has been installed in First Point. The Service widely promotes the reporting of change of circumstances using a poster, website information and information on all claim forms and leaflets.

44 The Service is not capturing information from all customer complaints. The Benefits Service complies with the Council's corporate complaints procedure. However, this means that only the details of formal complaints made in writing are recorded. There are no records of informal complaints dealt with by telephone or at First Point and there is no procedure for recording compliments. As a result the Council cannot be sure it is considering all the needs of its customers when developing the Service.

Diversity

45 The Council remains at level 1 of the local government equality standard. In 2006/07 this was in the worst 25 per cent nationally.

46 The Service has not formalised its approach to equalities. Equalities impact assessments have not been carried out on policies and procedures and the Council has not ensured that staff receive equalities and diversity training. Staff are using their initiative and tailoring services for individual cases, for example by ensuring a home visit or telephone call for people with known literacy problems. However, without a formal framework in place there is a risk that customer's individual needs will be overlooked.

How good is the service?

47   There are some gaps in ensuring that people with disabilities or whose first language is not English have good access to the Service. For example there is no telephone minicom[1] system available for people who are deaf or hard of hearing, and not all customer facing staff are aware that some staff have been trained in sign language. Literature produced by the Benefits Service does not indicate whether the information is available in large print, Braille or audio formats, although there is some limited information available in Chinese and Polish. This means that some customers may have difficulty accessing the Service, or provision is inconsistent.

48   The Service is not helping its most vulnerable customers by failing to use all the available funding for DHP. These are payments made at the discretion of the Council, subject to an annual cash limit set by central government, in cases where the Council considers that additional help with housing costs is needed by vulnerable customers. The Council has not spent the entire grant available to it from central government each year. For example in 2007/08 the Service spent £7,755 of the £11,806 it was allocated. Money not spent in the financial year is 'lost' and cannot be carried forward or used elsewhere. In addition, an under-spend can mean that the grant for the following year is reduced.

49   The DHP scheme in Barrow is demand led and is not being used pro-actively to support the Council's wider aims and priorities. The scheme is not generally advertised on benefits documentation or the website although representative groups are made aware through leaflets. Not pro-actively managing the scheme and not spending the full amount of DHP means that the Service is failing to provide extra assistance available to vulnerable people most in need to cover their housing costs.

Service outcomes

50   Performance in 2007/08 resulted in people waiting too long for their claims to be dealt with. The Service does not provide a quality or responsive service in terms of paying benefit promptly and accurately to people who claim. In 2007/08:

- new claims were decided on average in 28.0 days (unaudited);

- changes of circumstances were decided on average in 17.5 days (unaudited); and

- the accuracy rate was 98 per cent (unaudited).

51   The published data for 2006/07 (the latest available for comparison with other councils)) shows that Barrow's performance was poor:

- new claims were decided on average in 29.1days, (at the median for all councils nationally);

- changes of circumstances were decided on average in 17.4 days, (worst 25 per cent for all councils nationally); and

- the accuracy rate was 95 per cent, (worst 25 per cent for all councils nationally).

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[1] The minicom service is a telephone typewriter device for communication between deaf, hard of hearing speech impaired and or hearing persons

52 Performance in the first quarter of 2008/09 has slipped to around 32 days for new claims and 20 days for changes of circumstances. However, the Council is not confident that these figures are correct. This level of performance impacts on the customer's ability to prevent rent arrears, council tax arrears and the consequential threat of eviction or bailiff action. Inaccurate assessments and delays in dealing with reported changes could impact upon the Council's government funding levels for the Service.

53 Customers who appeal against a decision are receiving a poor service, although this is showing signs of improvement. In 2006/07 42 per cent of appeals were submitted to the Tribunals Service within four weeks, which was less than the average for all councils, but all appeals were submitted within three months. The performance on these indicators declined in 2007/08 to 22 per cent and 67 per cent respectively, which were both well below the average for all councils. The reported performance against these two measures in the first quarter of 2008/09 improved to 50 per cent and 75 per cent respectively. At the time of our inspection appeals work was up to date. Failing to submit appeals promptly to the Tribunals Service can leave vulnerable customers without benefit to which they are properly entitled.

54 It is not possible for the Council to see at any given time the full picture concerning its HB overpayment debt. Problems with IT systems meant that the Council was unable to provide data for 2005/06. Further IT problems have meant that it has been unable to obtain accurate reports on recovery of overpayments and outstanding overpayment debt since approximately January 2007. The implementation of an overpayments module linked to the Benefits IT system has failed to solve this problem. Not having complete, accurate information on the debt, such as an age analysis, means that the Council is not in a position to be able to manage its debt recovery effectively. It is not, for example, able to measure its performance accurately or identify where best to focus its efforts.

55 The Council's reported performance on recovery of overpayments is mixed. In 2006/07 it reported that it recovered 38 per cent of the total available overpayment debt, which was in the best 25 per cent of councils nationally, but its recovery of 58 per cent of the value of overpayments raised in that year was in the worst 25 per cent. In 2007/08 it reported that the performance against the first of these indicators worsened, while that for the second was almost unchanged. However, because of the continuing problems with the reports being produced by the IT system, these figures are not reliable.

56 Arrangements for preventing fraud and error entering the system are sound. Staff have a good awareness of the Council's policy to verify documents. All Benefits staff receive fraud awareness training and are kept informed of the referrals they make to fraud investigation staff. The Service is proactive in encouraging customers to report changes of circumstances. As a result, the Council has assurance that awards of benefit are justified and kept correct.

How good is the service?

57 The Council has satisfactory arrangements for dealing with benefit fraud.

- There is a clear Sanction and Prosecution Policy for HB and CTB that sets out clear criteria and guidelines for applying prosecutions, cautions and administrative penalties.

- Data matches identified through the National Fraud Initiative and the Housing Benefit Matching Service are dealt with promptly.

- Decisions on whether to carry out an investigation are based on a scoring matrix so that the Investigation Officers concentrate on the cases that are most likely to succeed.

- There is a fraud hotline, which is publicised on the Council's website, in letters sent to customers, on council tax bills and on car park tickets.

- Successful prosecutions are publicised in local papers.

- The counter-fraud team is pro-active in carrying out fraud drives.

58 The Service has delivered a good level of fraud sanctions, including prosecutions, in 2007/08. In 2006/07 there were 38 sanction cases and 63 in 2007/08. Taking effective action to punish fraud and publicising this reduces the risk of fraud against the Council in the future.

59 The Service has made a contribution to wider Council objectives. The award of the contract for the Benefits Service was awarded to a service provider that was willing to set up a shared service centre in Barrow from which to deliver its services across a range of contracts. This has contributed to the Council's regeneration aims through an additional 250 jobs being created in the Borough. As a result the Service has played a role in meeting the aim of enhancing the economic future of the Borough'.

User experience and satisfaction

60 Customer satisfaction with the Service is comparatively low. In the 2006/07 Best Value benefits customer satisfaction survey the Council was in the bottom 25 per cent nationally for all aspects of service. The exception to this was the amount of time it took to tell the customer whether their claim for benefit was successful or not. However this was still below the national average. Satisfaction with the Service overall was 72 per cent, compared to an average for English local authorities of 78 per cent.

61 The Service does not have a full and up-to-date picture of customer satisfaction. It carries out annual customer surveys, but the most recent of these had a very low response rate of 3 per cent and no conclusions could be drawn from it. The Council has not as yet identified an alternative way of carrying out customer surveys that is likely to increase the response rate significantly. As a result, the Service lacks sufficient information to be able to respond fully to customer issues.

62   Customers surveyed as part of this inspection thought staff were helpful and valued face to face contact and visits. Customers calling at First Point were surveyed over two days in July 2008. Our results showed that customers are more satisfied with the present caller facilities than those that existed two years previously. The customers we interviewed considered that the customer services staff are easy to talk to and able to deal with customers' problems. They were less satisfied with correspondence coming from the Service and some found letters difficult to understand. A small number reported a lack of responsiveness and lost documents as the cause of dissatisfaction.

Is the service delivering value for money?

63   The Service is not demonstrating value for money; overall performance is below average and this is combined with high comparative costs. The Council acknowledges that costs are high but attributes these to levels of deprivation in the Borough and accounting differences with other councils. It has not conducted cost benchmarking to verify this. The Audit Commission Value for Money profiles indicate that Barrow's costs per head of population are high compared with councils nationally and with councils with similar characteristics. Further analysis undertaken by the Audit Commission confirms Barrow's costs per caseload are the fourth highest of 16 councils in its CIPFA[1] family group and costs per item of work are the highest of the 14 for which we have figures.

64   The Council has not examined to what extent external and contextual factors impact on the cost of the Service. The Council considers that the level of deprivation and geographical remoteness are factors that drive costs in the Borough higher than elsewhere, but has not attempted to evaluate the impact of this on the cost of its the Benefits Service. There are some contextual factors that do not drive costs higher than elsewhere. For example, staff costs and accommodation are likely to be less expensive than other areas, particularly in the South East. A high proportion of the claimant base are claiming incapacity benefit and are therefore relatively stable in relation to areas with a more transient and diverse population. The council has not examined how this influences the value they are getting from their contract and therefore are not able to make informed assessments of comparative costs.

65   The procurement decision to extend the benefits contract was not based on the need to improve value and quality of the Service. The Council did not subject the contract to open competition or produce a robust business case when it decided to extend it in 2005 and did not carry out cost comparisons or benchmarking as part of the process. The Council's standing orders were set aside to approve the decision to extend (three years early) which was largely driven by the prospect of the service provider securing a lease on a large new office building in the town and bringing with it additional jobs. Since then the contract scope has been further extended through two change controls to include delivery of the Council's Customer Service team and some IT services. Although the Council has achieved its regeneration objectives of securing additional jobs to the area, it has not demonstrated that it achieved value for money to deliver the Benefits Service, the core purpose of the contract.

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[1] The CIPFA family group has 16 councils with similar characteristics.

How good is the service?

66 The contract to deliver the service is not fit for purpose. The contract is lengthy in that is in place to 2018, the whole contract price is subject to annual indexation increases of RPI[1] and there are no financial penalties or rewards for poor/good performance. It is also not linked to workload volume. As a consequence, the service provider has little financial incentive to increase benefit take up or improve performance and the Council has little opportunity to improve value for money in this service.

67 The Council is not able to demonstrate if the support for the CAB is delivering value for money or not. The Council provides an annual grant aid of £97,000 plus accommodation on the basis that the CAB provides debt and benefits advice locally. There is no service level agreement in place and performance is not monitored by the Council. The Council therefore does not have assurance that this level of grant is delivering the right outcomes for local people.

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[1] Retail Price Index minus mortgage payments applies in this case.

What are the prospects for improvement to the service?

What is the service track record in delivering improvement?

68   The implementation of change has, in many cases, had a detrimental impact on the service experienced by users. For example, the service provider's move to new premises and subsequent expansion resulted in the accuracy of calculating claims deteriorating significantly in 2007. The Council accepted that this was due to an influx of new staff. Other changes are not always successful. The introduction of workflow technology in 2007 is not yet delivering a sustained improvement in processing times. Recent system changes have resulted in better control of overpayments, but reporting overpayments data has worsened. The Council has not ensured that changes are backed up with robust implementation plans and cannot be sure that planned improvement will be delivered as intended.

69   There is no clear trend of overall improvement in most key BVPIs between 2005/06 and 2007/08. The time taken to process new claims and changes of circumstances has been largely static (at a relatively low base) for this period, with the decline in accuracy (mentioned above) in 2006/07 recovering to previous levels in 2007/08. This means that Barrow's Benefits Service is not meeting its own targets for processing claims and not keeping pace with the rate of improvement seen in other councils.

70   The trend in customer satisfaction with the Service between 2003/04 and 2006/7 is mixed, and has remained relatively low compared to other councils. Satisfaction with three elements of the service improved (facilities for contact, clarity of forms and time taken to determine claims), whilst three declined (service in the office, telephone service and satisfaction with Benefits staff).

71   The delivery of other improvement has been slow or limited.

- There has been limited progress with implementing recommendations from the Cumbria Councils' 2004 Access to Services inspection. Opportunities for joint working and the potential for efficiency and quality improvements have not been fully explored. However, the creation of the customer services centre in the Town Hall (First Point) has improved access for visitors.

- There has been slow progress with the Council's and Service's approach to equalities.

- There has been little improvement in value for money. Gross costs of the service are increasing ahead of other councils with static overall performance. However, better management of overpaid benefit, known as local authority error overpayments, has resulted in the Council being able to claim the full subsidy available for the last two years. The majority of councils are eligible for this subsidy.

What are the prospects for improvement to the service?

72 The implementation of the Local Housing Allowance in April 2008 was adequate. LHA came into effect from April 2008 and affects all new Housing Benefit claims made by tenants of private landlords. The Service planned for this change in legislation and received positive feedback from landlords attending meetings to explain the changes but did not update its website benefits calculator to include the new allowance. Information to customers using this facility between April to July 2008 will have been incorrect.

73 On a more positive note, there has been a significant increase in the number of fraud sanctions taken. There were 38 sanctions taken in 2006/07 which rose to 63 in 2007/08 as a result of more proactive fraud campaigns. Sanctions provide a visible deterrent in keeping fraud and error out of the benefits system, a core government requirement of the service.

How well does the service manage performance?

74 The Council does not have a clear vision for its Benefits Service. The Council's key aims and priorities focus on economic regeneration and this has resulted in programmes to move people out of benefit into work. There is little corporate focus on the need to improve the income levels of the most vulnerable households. The Service has not articulated its own vision and targets are focused on improving processing times, accuracy and implementation of new legislation. As a result it is not clear how the Service contributes to the overall vision, objectives, priorities and values of the Council and its partners.

75 There has been a lack of leadership in the Service although this has recently improved. The improvement agenda is largely being set and driven by the Council's service provider. Performance targets are not challenging and for the most part aim to keep performance below average nationally. In addition, targets were not formally agreed for the first time until 2007/08, even though this had been included in the contractual arrangements since 1998. The Council has not yet set a target for the new 'Right Benefit' indicator. Councillor's involvement in the Service has been limited but there are early signs that this is changing. An Overview and Scrutiny intervention in 2007/08 was prompted by poor BVPI performance. It concluded in June 2008 having reinstated the Strategic Board with the service provider in April 2008. Although this raised the profile of the Service and is a positive move, councillors' acceptance of current performance levels is influenced by the service provider creating 250 jobs in the Borough. This is diluting the focus of the Service away from its core purpose.

76 The Council does not have improvement plans that address all current service weaknesses. There are no clear plans for driving down costs, increasing benefit take-up and improving the approach to equalities in the service. These are key weaknesses. In addition, the Council is not clear if proposed county-wide customer service standards, covering areas like telephone response times, will be adopted in Barrow.

77 A jointly agreed 2008/09 Service Improvement Plan is not SMART[1] or outcome focused. It includes six actions relating to Benefits; for example making changes to notification letters, and six for customer services; for example developing a service level agreement between the customer services centre and the back office. The plan only articulates actions and does not set measurable improvement outcomes. It is therefore difficult to see how the Council will establish if the delivery of the plan has been successful or not.

78 The Council does not have robust and outcome focused plans for other planned changes to the Service. For example:

- the service provider is currently moving from a defined contract team working solely on Barrow's caseload to a fully integrated shared back office where staff will handle work from a variety of councils. This has potential benefits such as improved resilience for specialist areas, but also brings risks. Performance on the Barrow contract is currently better than for the other contracts handled in the service provider's shared service centre. There is a risk that performance, at least in the short term, will deteriorate and there will be a loss of ownership and local knowledge of individual members of staff. Whilst this change is aiming to improve processing times, no measurable improvement outcome has been shared with the Council;

- the service provider is working to fully integrate the Council's customer services centre in the Town Hall, amalgamating the Benefits Service with the general enquiries service (excluding housing - which is located in another building). This has the potential benefit of being able to offer a more joined up service with opening times extended for benefits visitors by one hour per day but falls short of a one stop shop as it excludes housing. Again, there are no specific improvement outcomes set by which to measure if the change is successful or not;

- there is an aspiration to improve the quality of information gathered from the customer at the start of the process from the customer services centre and through home visits. A new visiting strategy is being trialled to reduce the number of defective or unsuccessful claims and speed up processing times but the number of visiting officers has been reduced from 2 to one. As yet there is no clear plan of what changes will be implemented in the customer services centre or how this fits into an overall plan to improve data capture across the Service; and

- the new Counter Fraud Plan designed to deliver the Council's Anti Fraud and Corruption Policy is not comprehensive.

79 Performance management in the service is weak. There are mechanisms in place to manage performance, and although these have recently been strengthened by the reinstatement of the Strategic Management Board they are hindered by the lack of incentives to drive performance through contract penalties and rewards. This has resulted in performance targets that have been set because they are deemed to be achievable rather than being 'challenging; adding value and eliminating waste' as set out in the contract.

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[1] SMART plans are Specific, Measurable, Actioned , Resourced and Timed.

What are the prospects for improvement to the service?

80 Performance management is further hindered by issues with producing data. For example:

- external auditors have found recurring issues and errors with certifying the administration grant claim, which has led to amendments or qualification;

- there are problems with the production of overpayments performance information; and

- the Council is not able to produce current benefit processing times – and there is no data yet for right benefit indicator - N180 which came into force in April 2008 although this is an issue common to many other councils.

The ongoing issues with IT means that the Council does not have a clear picture of performance and cannot target improvement to benefit customers or tax payers.

81 Benchmarking in the service is only just developing. The process of extending the current contract in 2005 did not include any cost or performance benchmarking. More recently, the Council is comparing BVPI performance against other Cumbria councils and with councils with similar levels of deprivation. So far, this has helped inform target setting, but is not driving the Council to push for better performance in the service.

Does the service have the capacity to improve?

82 The Council's capacity for improvement is restricted by the contract to deliver the service and meeting increasing costs of the Service is a challenge. The government plans (for 2008/09 and the following two years) to reduce the grant given to councils to administer benefits services by five per cent. For Barrow, the reduction is projected to be around £17,000 in 2009/10. This is not reflected in the contract price which increases in line with inflation each year. Assuming a 4.5 per cent indexation, the Council would be paying around £99,000[1] more in service provider fees in 2009/10. Councils also have to deliver cashable efficiency savings across all services and have limited means by which to raise income.

83 The Council has limited capacity to effectively manage the service contract. The Client team's resources is largely occupied with, and focused on, undertaking quality checks. This leaves little capacity to manage the contract more strategically.

84 The Service has been negatively impacted by the ending of external funding[2] streams. Support for non local authority tenants has been reduced from April as external funding for a Housing Liaison Officer stopped in April 2008. A local RSL is continuing to pay for the post for one day per week, but support is for their tenants which are a relatively small percentage of those in rented accommodation across Barrow. Timely advice and support helps people pay their rent and avoid eviction and potential homelessness. At the time of our inspection, it was too early to see the impact of the change.

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[1] The contract is to deliver the Revenues and Benefits Services. The increase is based on a total contract price of around £2.2 million.
[2] External funding in this case is Neighbourhood Renewal Funding (NRF)

85   There are some gaps in training. There has been little or no awareness training provided for councillors. This does not enable councillors to oversee or challenge the Service effectively. Staff are generally well trained to deliver the core service, and there is a training plan in place. However, the Council has not ensured that it includes the area of equalities or diversity; a significant gap given the Service deals with the most vulnerable residents in the Borough.

86   The Council is not maximising all the opportunities to work in partnership, particularly to increase benefits take- up. For example, the Service has not joined up with other council regeneration programmes running in the most deprived wards. The focus of moving people out of benefits and into work, does not increase the income levels of those entitled to benefits but not claiming, some of whom will be in work and on low pay or of pension age. Although there is good partnership working with the CAB, demand for their service in the Borough outstrips their capacity to provide support for all who need it. There is some limited evidence of working with other Council's to increase capacity of the Benefits service and to improve the quality of life for vulnerable people. The Council is working other Cumbrian Council's in a project to improve access to services, information and advice though a dedicated website. This includes debt and money advice and links to the benefits calculator to encourage take-up.

The Audit Commission

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.

AUDIT COMMITTEE	**(D)**
Date of Meeting: 18th March, 2009	**Agenda Item**
Reporting Officer: Borough Treasurer	**8**

Title: Benefit Service Improvement Plan

Summary and Conclusions:

The Audit Commission report relating to the inspection of the Benefit Services was presented to members in a previous agenda item. The recommendations of the report as well as other improvements were incorporated into an Improvement Plan. The progress of implementing these improvements will be reported to members on regular basis.

Recommendations:

Members are recommended to note the progress made on the improvement plan.

Report

The attached appendix shows the improvement actions and the progress made to date for the benefit service.

Background Papers

Nil

(i)   Legal Implications

None

(ii)   Financial Implications

None

(iii)   Health and Safety Implications

None

(iv)   Key Priorities or Corporate Aims

None

(v)   <u>Risk Assessment</u>

None

(vi)   <u>Equal Opportunities</u>

None

Action Plan – Benefit Service

Item	Description	Responsibility	Target Date	Comments	Completed Date	Evidence Reference
1	To incorporate the Audit Commission recommendations with existing improvement actions into an overall action plan for the service	M Saleh	November 2008	Amalgamate the already existing improvement actions with those recommended by the inspectors	November	
2	To carry out an immediate review of the contract and monitoring arrangements	M Saleh	December 2008	With P Thorne and the Client Director		
3	To undertake a benefit take-up promotion campaign in the local press	M Saleh	November 2008	An Intensive advertising campaign has taken place during December in the advertiser (the local free newspaper) the Focus Magazine, and the Evening Mail. Further advertising is planned for the future.	Initial stage completed to be ongoing	Advertiser & Evening Mail 20th & 21st Nov.
4	Instruct Liberata to produce a comprehensive action plan based on the Audit Commission report	M Saleh	November 2008	To establish the contractor's response to the recommendations by the inspectors.		
5	Opening Hours sign on entrance to first point – Cornwallis Street	M Saleh	October 2008	New opening hours in place & advertised.	Completed	
6	Change sign in first point to show service name not just Liberata	P Thorne	October 2008	New sign in place incorporating Barrow Borough Council & Liberata	Completed	
7	Agree a Vision Statement	M Saleh	October 2008	Vision statement prepared & adopted.	Completed	
8	Organise awareness seminars for members and non-benefit staff	P Thorne M Saleh	November 2008 To January 2009	Awareness seminar for members and officers was held on the 16th October 2008. A further seminar for non-benefit staff including CRM, Housing and EH to be organised for the new year. Benefit update awareness, 2 sessions for	Ongoing	

Item	Description	Responsibility	Target Date	Comments	Completed Date	Evidence Reference
				Housing staff held in Jan (one joint with Accent) further session arranged at Accent in February. Also Fraud awareness training will take place at the Housing Department in February further sessions with Accent and other stakeholders to be arranged.		
9	Benchmark the cost and performance of the service	M Saleh	March 2009	To undertake a benchmarking exercise initially with the family group and depending on the outcome, the exercise may be extended.		
10	Review the annual targets set for Liberata to reflect higher levels of performance	M Saleh J Penfold P Thorne	January 2009	Monitoring the agreed targets for 2008-2009 has been hampered by system problems. For the year 2009-2010 a more rigorous set of targets will be set. Also future improvements targets will be established.		
11	Improve the information and reporting of overpayments	P Thorne	November 2008	Overpayments data required by Client received from Jan 2009 and Overpayments data retrieved for missing period.	January 2009	
12	Introduce and maintain SLA's with CAB and other relevant partnerships	E Hayes S Wilson D Reid	December 2008	To formalise a service level agreement with CAB and other relevant agencies. SLA with CAB in draft form meeting TBA. Sample copy of SLA with Accent received meeting TBA	April 2009	
13	Organise promotion campaigns to increase take-up (quarterly or half yearly) and target various groups in the community	E Hayes P Thorne L Wood	November 2008	Monitoring the progress of project ASIA (Access to Services Information and Advice). Next meeting 13th Feb 2009. Take up event held 7th Nov 2008 (Organised by Project Asia – attended by Liberata &BBC staff. Liberata attended Age Concern Event 21 November. and to attend Multi Cultural events during Feb & March Take up campaign to take place at Annual Billing	Ongoing	

Item	Description	Responsibility	Target Date	Comments	Completed Date	Evidence Reference
				time & in Autumn with further adverts in the local press. Establish an annual stakeholder conference. initial (planning) meeting 19th Feb		
14	Achieve Liberata's stated aim of being in the best 25% of councils in terms of core processing times	P Thorne	November 2008			
15	Review the scope of quality checks	E Hayes L Wood	December 2008	The Client will be using Liberata's Quality Tool from April 2009 so that data can be combined to identify errors & training needs. The Client will also introducing additional checks (targeting individual assessors).	April 2009	
16	Review the use of DHP	M Saleh E Hayes	March 2009	DHP application and information on website. Leaflets supplied to the following organisations: Mind, Probation service, CAB, Age Concern, BDA, Multi-Cultural Forum and Accent Housing. 2 Benefits advisory sessions held for Housing & Accent during Jan further session planned with Accent during Feb.	Ongoing	
17	Review the clarity and quality of information on letters and forms	L Wood E Hayes	November 2008	Revised Benefits notification letter with Change of Circs form attached at Printers. Other letters & notification under review samples being obtained from other Cumbrian Authorities. BUT problem if do not use Northgate docs as they will not support independent documents.	Ongoing	
18	Involve service users in service improvements	P Thorne D Reid	November 2008	Organise customer feedback interviews. Establish an annual stakeholder conference. Initial meeting (preparatory) 19th Feb 2009.		
19	Introduce and publish customer service standards	M McKinnell P White	October 2008 Publication	Cumbria customer service standards have been adopted. Measuring and publishing results will be done in 2009.		

Item	Description	Responsibility	Target Date	Comments	Completed Date	Evidence Reference
			2009			
20	General service awareness	E Hayes L Wood D Reid	December 2008	Home Visiting Facility now advertised on web site Minicom facility already available. at reception area Promote sign language availability. Notices in public venues		
21	Carry out feasibility Study – flatbed scanners	D Reid	Dec 2008			

AUDIT COMMITTEE	**(D)** **Agenda** **Item** **9**
Date of Meeting: 18th March, 2009	
Reporting Officer: Borough Treasurer	

Title: Internal Audit – Progress Report April 2008 to March 2009

Summary and Conclusions:

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 2008 to March 2009.

The Council's Internal Audit Manager will attend the meeting to present the report to members.

Recommendations:

Members are recommended to:

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.

Background Papers

Nil

(i)   Legal Implications

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

(ii)   Financial Implications

None

(iii)   Health and Safety Implications

None

(iv)   Key Priorities or Corporate Aims

None

(v)   Risk Assessment

None

(vi)   Equal Opportunities

None

FURNESS AUDIT

BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April to March

2008/2009

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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 between 1st April and 9th March 2009, 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 9th March 2009. 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 between 1st April 2008 to 9th March 2009; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	**199**	12	130	57
Fully Accepted	**195**	12	129	54
Partly Accepted	**2**	0	1	1
Not Accepted	**2**	0	0	2

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

There have been five priority one recommendations since the previous Audit Committee, these relate to the following.

Audit Report	Conversion of Accommodation and Refurbishment of Elevations – Market Hall
Recommendation	The Council should ensure that responsible officers and consultants managing projects on its behalf maintain complete Final Account and other prime records; and can provide such information on a timely basis.
Rationale	Currently the management of a number of Council contracts is being outsourced to consultant professionals. Unless a stated protocol is both in place and understood by the Council Officers and the Consultant, there is a risk of certain procedures either not being performed by either party or required prime documentation not being maintained adequately.
	Council Officers should be reminded that although the contract management has been delegated to consultants, the responsibility remains to ensure that the management and file maintenance has been performed to the required standard.
	Specifically, a Final Account should be submitted by the contractor following the issue of the final valuation by the Architect. The balance due is paid to the contractor with a retention of 2.5% until the end of the defects period. The Final Account should document any variations to the contract sum and confirm the omission of any agreed Provisional Sums and Contingencies.
	However, Internal Audit had difficulties in obtaining documents including the Final Account; and evidence of certain procedures to fully complete the review. Requests were made to the responsible officer and relevant consultants for the required information, however, this has not fully materialised.
	In addition to this adversely affecting the audit review, in terms of providing the required opinion and accuracy of financial arrangements; the Council do not have sufficient assurance over the project management and compliance arrangements.
Response	Accepted.

Audit Report	Procurement
Recommendation	The Council should develop, as a matter of urgency, detailed procedures with regard to the procurement process, ensuring these are approved and formally issued throughout the authority.
Rationale	The Internal Audit review identified that detailed procedures covering operational aspects of the procurement process have not been produced. We were informed by the Deputy Borough Treasurer that the Council are aiming to implement the introduction of a fully integrated purchasing system with the Oracle financial system from 1st April 2009; therefore detailed procedures would be introduced from April 2009 onwards.
Response	The Deputy Borough Treasurer is upgrading the Council's Financial Information System and incorporating a new module called iProcurement. This will be used to procure most of the Council's supplies and services. There will be procedures and training of relevant staff. However, Procurement is bigger than supplies and services and includes contracting, tendering and sustainability issues. iProcurement will not address all of these, the Procurement Policy will.

Audit Report	Information Security Policy
Recommendation	The IT Manager should review and update the Information Security Policy, considering recommendations made by Internal Audit.
Rationale	The original Information Security Policy was introduced by the Council in 2005. It consists of a Policy Statement and three policy papers, relating to IT Services, Managers and Users. Internal Audit have reviewed the three documents forming the current Information Security Policy and identified a number of areas where controls could be strengthened or clarified. Recommendations to clarify the policy, facilitate and evidence compliance; together with linking policy to current practice (are documented in Appendix 3, 4 and 5) have been provided to the IT Manager.
Response	Agreed. We will be undertaking some work in early January and would find Audit involvement helpful.

Audit Report	Streetcare (inc Grounds Maintenance)
Recommendation	The Council should ensure that grounds maintenance (open spaces) inspections are formally recorded; in order to provide adequate evidence of the monitoring arrangements in place; and assurance over contractor performance.
Rationale	One of the main tasks within the grounds maintenance contract (open spaces) is the provision of the grass cutting service within the Borough. Grass cutting is performed between February and October under a number of regimes which determine the frequency of cutting. The contractor is issued with 'Period Work Schedules' for each period within the year; there are 13 periods, each being 4 weeks duration. The contractor completes the work schedule for each period, prior to returning to the Council. Internal Audit were informed that random inspections against the grounds maintenance 'period Work Schedule' are performed by members of the Streetcare Team. However, these inspections are not formally recorded or documented; in fact it did not appear that such a requirement was included within the internal control arrangements. Recording inspections would assist in demonstrating that the Council are performing adequate and effective monitoring of the service provider; and would assist in providing the Authority with a more robust and transparent monitoring function.
Response	From week commencing 19th January, the Streetcare Department will introduce an Audit Sheet to formally record grounds maintenance inspections. These will be completed by the Streetcare Inspection Officers and will be filed and retained in the Streetcare Office. These sheets will provide evidence of monitoring and, through that evidence, assurance over contractor performance.

Audit Report	Streetcare (inc Grounds Maintenance)
Recommendation	The Council should ensure that street cleaning inspections are formally recorded to provide evidence of the monitoring arrangements in place; and assurance over contractor performance.
Rationale	On a weekly basis the Council's 'Contracts Enquiry System' produces a 'weekly Monitoring sheet'; from which a random sample of 10% of programmed works are generated. Streetcare officers will inspect the cleanliness for each of the sample, recording the results on the sheet.

Internal Audit were informed that additional random inspections are performed against the overall programme of work by the Streetcare Team.

However, we were informed that these inspections are not formally recorded or documented. Recording inspections would assist in demonstrating that the Council are performing adequate and effective monitoring of the service provider, and would assist in providing the Authority with a more robust and transparent monitoring function. |
| **Response** | From week commencing 19th January, the Streetcare Department will introduce an Audit Sheet to formally record grounds maintenance inspections. These will be completed by the Streetcare Inspection Officers and will be filed and retained in the Streetcare Office. These sheets will provide evidence of monitoring and, through that evidence, assurance over contractor performance. |

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: APR-MAR 2009

Audit Assignment	System Significance Band	Status	Assurance
ANNUAL AUDITS			
Performance Management	1	Planning	
Risk Management	1	Cancelled replaced with Contract Audit	
Income Collection	1	Final	Substantial
Financial Information System	1	Fieldwork Complete	
Housing and Council Tax Benefits	1	Commenced	
Council Tax	1	Final	Substantial
Business Rates (NNDR)	1	Final	Substantial
Corporate Control/Governance	2	Fieldwork ongoing	
Procurement	2	Postponed	
Standing Orders and Financial Regulations	2	Complete	-
Budgetary Control	2	Final	Substantial
Treasury Management	2	Planning	
Payroll	2	Final	Substantial
Sundry Debtors	2	Fieldwork Complete	
Periodic Checks (inc. VAT)	2	Ongoing	
Payables	2	Fieldwork Complete	
Car Park Meter Charges	2	Final	Substantial
Housing Rents	2	Planning	
Housing Maintenance (Day to day repairs)	2	Draft	Restricted

Audit Assignment	System Significance Band	Status	Assurance
VFM Reviews/Other Projects/Spot Checks			
Receipt Book Checks	-	Ongoing	**-**
Petty Cash Spot Checks	-	Complete	**-**
RISK ASSESSED SYSTEMS			
Client Monitoring (Revenues and Benefits)	3	Final	Restricted
Insurance	3	Final	Substantial
Housing Strategy Cumbria HIP	3	Cancelled replaced with Contract Audit	
Building Control	3	Final	Substantial
Capital Programme	3	Cancelled replaced with Contract Audit	
Development Control	3	Final	Substantial
Streetcare (including Grounds Maintenance)	4	Final	Restricted
Right to Buy (Discounts)	5	Final	Substantial
Data Protection (Client Protection System)	*	Initial Draft	Substantial
Work in Default	*	Complete	-
Barrow Park	*	Draft	Restricted
Pulse Review	*	Complete	-
COMPUTER ENVIRONMENT AUDITS	1		
Information Security		Final	Restricted
IT Asset Management		Fieldwork complete	
Code of Connection		Postponed	
IT Security Support		Complete	-
CONTRACT AUDIT	1		
New Access Road for Future Developments, Flass Lane		Final	Restricted

Audit Assignment	System Significance Band	Status	Assurance
Abbotsvale Community Centre extension & Landscape Feature Duke St/Cavendish St Tender Review		Final	Substantial
Restoration and Enhancement of Barrow Town Park		Initial Draft	Restricted
Waterside House		Draft	Restricted
Painting and Pre-painting Repairs 2007/08		Initial Draft	Substantial
Alterations and Refurbishment of 77-79 Duke Street		Ongoing	
Hindpool Urban Park		Fieldwork commenced	
AGREED ADDITIONAL WORK			
Community Centre Accounts			
Hawcoat	-	Complete	-
Askam & Ireleth	-	Complete	-
Abbotsvale	-	Complete	-
Dalton Community Association	-	Complete	-
Roosegate	-	Complete	-
Barrow Playing Fields Users Association	-	Complete	-
Mayors Account	-	Complete	-
Grant Funding Review ERDF 60 Hindpool Urban Park		Complete	-
Grant Funding Review ERDF 60 James Freel Close		Complete	-
Grant Funding Review ERDF 60 Forge Close		Complete	-
ERDF 50 Final Claim Check		Complete	-
External Funding Checks			
Shoreline Films	-	Complete	-
Age Concern	-	Complete	-
Ashton Group	-	Complete	-

Audit Assignment	System Significance Band	Status	Assurance
National Fraud Initiative	-	Ongoing	
Implementation Review			
Contract Payment Procedures/Contract Register	-	Complete	Substantial
CONTINGENCY *(Previous year draft and final reports issued during period)*			
Periodic Checks	2	Final	Substantial
IT General Controls	-	Final	Restricted
Housing & Council Tax Benefits	1	Final	Substantial
Receipt Book Checks	-	Final	Substantial
Corporate Health & Safety	3	Final	Restricted
Contract Payments/Contract Register	3	Final	Restricted
Grant Funding	3	Final	Substantial
Park Leisure Centre	3	Final	Substantial
Procurement	2	Final	Restricted
Replacement of windows, overcladding and concrete repairs to North and West elevations Craven House	1	Final	Restricted
Barrow Gateway Office Development	1	Final	Restricted
Conversion of Accommodation and Refurbishment of Elevations – Market Hall	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
08-05	Barrow Park	18-Jul-2008
08-27	Housing Maintenance (Day to Day repairs)	4-Dec-2008
CR48	Waterside House	6-Jan-2009

Appendix 2 – Restricted Assurance Audits

		Recommendations			Previous Recommendations				
Reports issued 2006/07									
Ref	**Audit**	**P1**	**P2**	**P3**	**P1**	**P2**	**P3**	**Total**	**Date Issued**
06-09	Refuse Collection	0	8	3	0	7	0	**18**	30 January 2007
IT 27	Disaster Planning, Back up and Recovery	1	11	1	n/a			**13**	1 August 2006
IT 31	IT Helpdesk and Service	1	15	0	n/a			**16**	1 August 2006
Reports issued 2007/08									
06-08	Asset Register	0	8	2	0	2	1	**13**	6 March 2008
07-28	Contract Payment Procedures/ Contract Register	2	8	0	0	0	0	**10**	11th September 2008
07-26	Corporate Health & Safety Review	1	10	5	0	1	0	**17**	11th September 2008
Reports issued 2008/09									
IT 38	IT General Controls		36		0	0	0	**36**	7 July 2008
08-05	Barrow Park (awaiting management response)		8	7	n/a			**15**	18 July 2008
07-21	Procurement	1	12	2	n/a			**15**	28 October 2008

Appendix 2 – Restricted Assurance Audits

		Recommendations			Previous Recommendations				
Reports issued 2008/09									
Ref	**Audit**	**P1**	**P2**	**P3**	**P1**	**P2**	**P3**	**Total**	**Date Issued**
08-28	Client Monitoring (Revenues and Benefits)	0	11	2	0	0	1	**14**	3 October 2008
CR41	Replacement of windows, overcladding and concrete repairs to North and West elevations Craven House	1	7	0	n/a			**8**	30 September 2008
CR42	Barrow Gateway Office Development	3	7	0	n/a			**10**	30 September 2008
CR44	Conversion of Accommodation and Refurbishment of Elevations – Market Hall	1	8	0	n/a			**9**	19 December 2008
CR45	New Access Road for Future Developments Flass Lane	0	9	0	n/a			**9**	27 November 2008
IT 39	Information Security Policy	1	4	0	n/a			**5**	24 December 2008
08-34	Streetcare (inc Grounds Maintenance)	2	4	4	n/a			**10**	23 January 2009
08-27	Housing Maintenance (Day to Day Repairs) (awaiting management response)	2	2	3	n/a			**7**	4 December 2008
CR48	Waterside House (awaiting management response)	1	9	0	n/a			**10**	6 January 2009

AUDIT COMMITTEE	(D) Agenda Item 10
Date of Meeting: **18th March, 2009**	
Reporting Officer: **Borough Treasurer**	

Title: **Internal Audit Plan 2009-2010**

Summary and Conclusions:

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.

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.

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.

Recommendations:

Members are recommended to approve the plan for 2009-2010.

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 service managers.

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 2009-2010, it is proposed to carry out the programme shown below.

INTERNAL AUDIT ANNUAL PLAN 2009/10

Audit	Significance Band		Days
ANNUAL AUDITS			
Performance Management	1	**Higher Level/Corporate Control Systems**	10
Risk Management	1	**Higher Level/Corporate Control Systems**	12
Contract Audit	1	**Higher Level/Corporate Control Systems**	35
Income Collection	1	**Borough Treasurer's Department**	20
Financial Information System	1	**Borough Treasurer's Department**	10
Housing and Council Tax Benefits	1	**Borough Treasurer's Department**	35
Council Tax	1	**Borough Treasurer's Department**	12
Business Rates (NNDR)	1	**Borough Treasurer's Department**	9
Computer Environment Audits	1	**Corporate Services**	30
Corporate Control/Governance	2	**Higher Level/Corporate Control Systems**	10
Procurement	2	**Higher Level/Corporate Control Systems**	15
Standing Orders and Financial Regulations	2	**Higher Level/Corporate Control Systems**	10
VFM Reviews/Other Projects/Spot Checks	2	**Higher Level/Corporate Control Systems**	10
Budgetary Control	2	**Borough Treasurer's Department**	10
Treasury Management	2	**Borough Treasurer's Department**	7
Payroll (including expenses/allowances)	2	**Borough Treasurer's Department**	15
Sundry Debtors	2	**Borough Treasurer's Department**	10
Periodic Checks (inc. VAT) plus Accounts working paper review	2	**Borough Treasurer's Department**	10
Payables	2	**Borough Treasurer's Department**	10

Car Park Meter Charges	**2**	**Regeneration and Community Services**	10
Housing Rents	**2**	**Regeneration and Community Services**	10
Housing Maintenance (Day to day repairs)	**2**	**Regeneration and Community Services**	20
RISK ASSESSED SYSTEMS			
Capital Programme	**3**	**Regeneration and Community Services**	10
Housing Strategy	**3**	**Regeneration and Community Services**	10
Concessionary Travel	**3**	**Chief Executive's Directorate**	15
Property Portfolio Including Sales	**3**	**Regeneration and Community Services**	8
Asset Register including Capital Account	**3**	**Regeneration and Community Services**	8
Licensing	**3**	**Regeneration and Community Services**	8
Waste Management	**4**	**Regeneration and Community Services**	9
Refuse Collection (including Recycling)	**4**	**Regeneration and Community Services**	12
OTHER AUDIT WORK			
Implementation Review	-		10
Probity	-		6
Audit Administration/Advice	-		10
Audit Committee	-		6
Audit Management/Planning/Reporting	-		10
External Audit Liaison	-		3
CONTINGENCY			5
TOTAL CONTRACT DAYS			**450**
ADDITIONAL CONTRACTED WORK			
Community Organisations (inc. Mayor's Account)	-		20
Fraud Hotline	-		10
Funding Checks/Management	-		30
NFI Responsibilities	-		20
TOTAL ADDITIONAL DAYS			**80**
TOTAL DAYS			**530**

<u>Background Papers</u>

Nil

(i)   <u>Legal Implications</u>

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

(ii)   <u>Financial Implications</u>

None

(iii)   <u>Health and Safety Implications</u>

None

(iv)   <u>Key Priorities or Corporate Aims</u>

None

(v)   <u>Risk Assessment</u>

None

(vi)   <u>Equal Opportunities</u>

None

AUDIT COMMITTEE	**(D) Agenda Item 11**
Date of Meeting: 18th March 2009	
Reporting Officer: Borough Treasurer	

Title: Internal Audit – Final Reports

Summary and Conclusions:

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.

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

Recommendations:

Members are recommended to:

1.   Receive and consider the reports; and

2.   Raise any questions or concerns with the Internal Audit Manager.

Report

There are 14 final reports for consideration, attached to this report. 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
1	Information Security Policy	**Restricted**	1	4		
2	Client Monitoring – Revenues and Benefits	**Restricted**		11	2	1
3	Council Tax	**Substantial**			2	
4	Non-Domestic Rates	**Substantial**			1	
5	Payroll	**Substantial**		4	5	
6	Income Collection	**Substantial**		1	3	1
7	Insurance	**Substantial**			4	
8	Procurement	**Restricted**	1	12	2	
9	Market Hall	**Restricted**	1	8		
10	New Access Road – Flass Lane	**Restricted**		9		
11	Right to Buy	**Substantial**			3	
12	Street Care	**Restricted**	2	4	4	
13	Tender Review	**Substantial**		5		
14	Park Leisure Centre	**Substantial**		2	5	

Background Papers

Nil

(i)   Legal Implications

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

(ii)   <u>Financial Implications</u>

None.

(iii)   <u>Health and Safety Implications</u>

None

(iv)   <u>Key Priorities or Corporate Aims</u>

None

(iv)   <u>Risk Assessment</u>

None

(v)   <u>Equal Opportunities</u>

None

Executive Summary

Introduction

In accordance with the 2008/9 Audit Plan, an IT review of the effectiveness of the Borough Council's Information Security Policy was undertaken in July 2008.

Protection of the confidentiality, integrity and availability of information is essential for the Council to ensure the effectiveness of its operations and services. The IT Manager has produced comprehensive policies for the Authority to address information security issues, based on work of external consultants following the Internal Security Standard, ISO/IEC 17799.

Audit Objectives

The objective of the audit was to provide reasonable assurance on compliance with the current Information Security Policy, and establish whether suitable policies, procedures and disciplines are in place to support the policy.

Key Points
Restricted Assurance   **One major issue and four important issues identified.**

The work involved discussions with IT Management and key staff, review of policy documents, supporting procedures and guidance and logs. 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.

The Policy consists of a 'Policy Statement' and three specific 'Information Security Policy and Standards' for IT Services, Managers and Users.

Audit Conclusion – *Restricted Assurance*

As the result of the audit we have concluded that while there is an information security policy in place, further work is required to provide additional procedures and supporting documentation and to cross-reference these to the main policy.

The approach adopted in terms of reporting, is to highlight the major issues in the main body of the report, but in addition provide detailed suggestions relating to the three sections of the Information Security Policy and Standards in Appendices 3, 4 and 5. While many of the suggestions in the appendices refer to minor issues, there are a significant number. It is for this reason that assurance is restricted at this stage. However, IT and Internal Audit plan to meet early in 2009 and it is anticipated many of the issues raised in the appendices will be addressed at this point.

In conclusion we have raised one major and four important issues, which concern:

- strengthening or clarification of various controls as referred to in Appendices 3,4 and 5;
- the simplification of the three sections of the Policy and removal of duplication;
- cross-referencing the Policy to key standards, such as ISO/IEC 17799 and Code of Connection;
- cross-referencing the Policy to current procedures and guidelines; and
- clarification of the use of 'Information Owner and Manager'.

Management Response

We have received a constructive management response from Mick McKinnell, IT Manager, accepting each of our recommendations. In addition, he has invited Internal Audit to work with IT staff, when they update the policy documents in early 2009.

Acknowledgement

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

Recommendation 1	Responsibility: IT Manager	Priority:	1

The IT Manager should review and update the Information Security Policy, considering recommendations made by Internal Audit in Appendices 3, 4 and 5.

Rationale

The original Information Security Policy was introduced by the Council in 2005. It consists of a Policy Statement and three policy papers, relating to IT Services, Managers and Users.

Internal Audit have reviewed the three documents forming the current Information Security Policy and identified a number of areas where controls could be strengthened or clarified.

Recommendations to clarify the policy, facilitate and evidence compliance; together with linking policy to current practice are documented in Appendix 3, 4 and 5.

Management Response

Agreed. We will be undertaking some work in early January and would find Audit involvement helpful.

Accepted	Implementation Deadline:	31st March 2009

Recommendation 2	Responsibility: IT Manager	Priority:	2

The three Information Security Policy documents should be combined into one, with responsibilities for each activity clearly stated within the Policy.

There should be a separate user guidance document to support the Policy; to which the Policy refers and this should be available on the Council's Intranet.

Rationale

There is a significant amount of duplication in the current three documents forming the Policy, relating to IT services, Managers and Users e.g. incident management procedures (ISP IT Services section 2.14 and ISP Managers section 2.13). If the three documents were combined it would be possible to avoid repetition and ambiguity.

Much of the Information Security Policy for Users is guidance on best practice. The Policy could be considerably reduced if a separate guidance document were produced. This could be in a user-friendly format and be available on the Intranet.

Management Response

Agreed

Accepted	**Implementation Deadline:**	**31st March 2009**

Recommendation 3	Responsibility: IT Manager	Priority:	2

There should be a sheet within the Information Security Policy that cross-references its policy items to the BS 7799 (ISO/IEC17799) standard and Code of Connection requirements.

Rationale

The Information Security Policy reflects much of the BS 7799 (ISO/IEC17799) standard, a document, which is periodically updated. A cross-reference between this Policy and the standard would demonstrate compliance with BS 7799 as well as facilitate update when the standard changes.

Similarly, there should be a cross-reference to the Code of Connection, whose requirements must also be met within the Information Security Policy.

Management Response

Agreed

Accepted		Implementation Deadline:	31st March 2009

Recommendation 4	**Responsibility: IT Manager**	**Priority:**	**2**

The Information Security Policy should be cross-referenced to associated policies and documentation and state where these documents are located.

Rationale

The Information Security Policy does not cross-reference to other policies and procedures. There are a range of IT policies and operating procedures, which are relevant to information security and to which the Policy should refer.

In addition, the use of sub-policies and procedures providing the detail of the main policy, enables the policy to be clear and concise, and reduce the need for frequent update

Management Response

Agreed

Accepted		**Implementation Deadline:**	**31st March 2009**

Recommendation 5	Responsibility: IT Manager	Priority:	2

The Council's Information Security Policy should refer to those officers with responsibility for information assets as 'Information Owners' rather than the more generic term 'Manager'. The Information Owner is likely to be the Head of Service or someone nominated by the Head of Service. The Information Security Management Forum should keep a formal list of all information owners, with details available on the Intranet.

Rationale

One of the three documents forming the Information Security Policy relates to 'Managers' and it states that the term 'Manager' refers to the Information System Owner. The term 'Manager' can be ambiguous, and the Policy, in order to provide clarification, sometimes refers to Managers as 'managers with information and information processing assets under their ownership' (2.9), sometimes as 'information owners' (2.12) and sometimes as plain 'managers' (2.1).

The Policy would add clarity in relation to responsibilities for Information Security if it consistently referred to 'nominated data/system owners' or 'information owners' throughout. The information owners are likely to be the Head of Service or someone nominated by the Head.

Management Response

Agreed

Accepted	Implementation Deadline:	31st March 2009

AUDIT FRAMEWORK

Coverage

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

- Information Security and Standards for IT Services
- Information Security and Standards for Managers
- Information Security and Standards for Users

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: July / August 2008

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	Control is weak, causing the system to be vulnerable to error or abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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
Priority 3	Minor issues which provide scope for operational improvement	Follow-up performed by the end of the next audit year.

Information Security Policy   **Appendix 3**
Detailed comments relating to the Information Security Policy and Standards
For IT Services (Issue 1, November 2005)

Section 2 – Policies (The numbering cross-references to the ISP and Standards for IT Services.

2.1 Risk Management

2.1.1 Review Point
This statement refers to the responsibilities of IT Services to 'assist information owners' with assessments, but it does not cover IT responsibilities for risk assessments of their own area of responsibility e.g. server room security, networks security.

Minor Recommendation 1
There should be reference to the risk assessment associated with IT responsibilities, such as networks and IT physical security.   It should state when the risk assessment should be undertaken and where the risk assessment reports will be filed.

2.2 Malicious Software Protection

There are certain activities recommended as part of Code of Connection (see 2.2.2), which will be addressed over the next twelve months; they include Intrusion Detection (CoCo 2.9), Vulnerability Scrutiny (2.18), Web Browser Business Case (2.19);

2.2.1 Review Point
The first bullet point of section 2.2 refers to 'procedures to check media brought on site'; there are no procedures associated with this and the IT Manager stated that the original concern on bullet point one was the problem of virus infection but now the main concern is about the downloading of information onto data sticks. The policy item should be updated and cross-referenced to a new standard or procedure.

Minor Recommendation 2
The first bullet point referring to 'media brought on site' should be changed to reflect the current issues, which relates to the downloading of data onto local media such as data sticks.

2.2.2 Review Point
The second bullet point refers to malicious protection measures; while there are details provided in the operating procedures these are out-of-date.

Minor Recommendation 3
The malicious software procedure should be updated to reflect current practice. The Information Security Policy should cross-reference to the updated procedure.

2.2.3   Review Point
Bullet point four refers to 'Access controls to prevent unauthorised configuration'. As these are referred to elsewhere in the policy (2.3, 2.5, 2.6, 2.7, 2.11 2.12, 2.13) it is suggested that it is unnecessary to refer to this under 2.2. Alternatively, the policy may be cross-referenced to procedures.

Minor Recommendation 4
'Access controls to prevent …software protection measures 'should be removed from the Policy. Alternatively, procedures should be documented and the ISP should be cross-referenced to procedures.

2.2.4   Review Point
Bullet point 6 refers to procedures relating to security patch upgrades, but does not identify what these procedures are. The IT Manager stated that there were some technical procedures associated with this but these are not currently kept in the department's operating procedures manual.

Minor Recommendation 5
The Policy should refer to procedures relating to patch upgrades and state where they are filed.

2.3   Email and Internet Access

2.3.1   Review Point
The usage policies are now incorporated within the ISP. At one time there was a requirement for staff to sign an agreement with these policies. This is no longer enforced except for external users. It is understood that to meet the requirements of 2.2.1 of the Code of Connection a personal commitment statement will be re-introduced.

Reference is also made to Email/Internet usage in section 2.12 of the ISP and Standards for Users. Rather than refer to Internet and Email rules in an abbreviated form in the Policy, it would be preferable to provide a more detailed separate document, to which the main policy should refer. This approach would reduce the size of the current Information Security Policy, allow the issue to be addressed in full in a separate policy and avoid the need to update the main policy each time Email/Internet rules are updated.

Minor Recommendation 6
The separate Policies on Internet and Email usage should be re-instated and referred to in the Information Security Policy. The ISP should also state that each user will sign a commitment statement.

Information Security Policy   **Appendix 3**
Detailed comments relating to the Information Security Policy and Standards
For IT Services (Issue 1, November 2005)

2.4   **Council Web Service Security**

2.4.1   Review Point
The IT Manager stated that the web services authentication, privilege management and secure software configuration has not been documented but would be included in risk paper, in 2007/8 IT General Controls Recommendation 20

It is also intended to adopt a standard based on the ISP and Standards configuration guidance provided as Appendix A.

Minor Recommendation 7
The Policy should refer to the documentation which describes the controls over the web server service and where it is filed. The paper Appendix A of the ISP and Standards should be used to provide a framework.

2.5   **User Access Management**

2.5.1   Review Point
In the IT Services review of the Information Security Policy it is suggested that the 6-monthly access check recorded in current version of policy (paragraph 4) be deleted. The IT Manager stated that there has been no overall review of access for some time.

The 6-monthly check helps to ensure that all invalid and out-of-date accesses are removed; it is also a standard BS 7799 and internal audit recommended control. If the check is removed then it is suggested an alternative control is used e.g. freeze user after inactivity and undertake a quarterly sample of users, say 25, to provide confidence that accesses are up-to-date and correct.

Minor Recommendation 8
Instead of a regular review of all users, which is considered impractical, IT Services could undertake a single thorough review of current user network access, and check a sample of user accesses on a quarterly basis. Alternatively, managers could periodically return a report of their staff requiring access. In addition, users should be disabled after a defined period of inactivity.

Review Point
Currently there is no network access control policy. An access control policy supports a well-structured and consistent approach to access management.

Minor Recommendation 9
There should be a network access control policy and this should be referred to in the ISP IT Services under User Access Management.

2.6   **Password Policy**

2.6.1   Review Point
        There is a fairly detailed section on passwords within the Policy. As rules on
        passwords change, so the whole Policy will need to be updated. The Council
        follows the BS 7799 and the Code of Connection standards. Therefore to be
        concise and reduce the need for frequent change of policy, the current
        Information Security Policy should state that these standards will be followed
        rather than detailing within the policy.

        Minor Recommendation 10
        **Instead of detailing the password requirements the Information Security
        Policy should state that the network will be protected by a high quality
        password management standard as specified in BS 7799 and the Code of
        Connection.**

2.6.2   Review Point
        In general the current password requirements are met by the network password
        management system as follows:

6 plus characters	Y	
Not easily guessable	N	
Enforced change	Y	currently 60 days
Not repeat passwords	N	repeat passwords are allowed, e.g. you cannot change to present but can change to previous password
No remembered passwords	Y	
Passwords not displayed	Y	
Encryption	Y	
Lock out of passwords	Y	
Replacement of default Passwords	Y	

        Apart from the need to enforce complex passwords and not to allow the same
        passwords to be re-used, there will be additional changes required as part of
        BS 7799.

        Minor Recommendation 11
        **The network password management system should be reviewed and
        updated to reflect the requirements of the Code of Connection. In
        addition, the parameters should enforce complex passwords and prevent
        re-use of passwords.**

Information Security Policy   **Appendix 3**
Detailed comments relating to the Information Security Policy and Standards
For IT Services (Issue 1, November 2005)

2.8   Router Configurations

2.8.1 <u>Review Point</u>
It is understood from discussions with the IT Manager that routers are not all configured according to NSA Router Configuration Security Guide. It is suggested that to make this policy item meaningful, IT should maintain a list of all routers stating which ones are subject to NSA Router Configuration Security Guide, and of those which are, which have been confirmed as meeting the guidelines requirements.

<u>Minor Recommendation 12</u>
The Policy should state that IT Services will maintain a list of all routers stating which are subject to NSA Router Configuration Security Guide; and of those which are, which have been confirmed as meeting the guidelines requirements.

2.11   Operating System Access Control

2.11.1 <u>Review Point</u>
The guidance notice associated with the ISP and Standards Appendix D has not as yet been incorporated into procedures. The IT Manager intends to introduce a template checklist.

<u>Minor Recommendation 13</u>
IT Services should provide guidelines/procedures for secure operating systems based on Appendix D. The Policy should refer to these guidelines and where they are located.

2.13   Monitoring System Access and Use

2.13.1 <u>Review Point</u>
There is an IT Services proposal that reference to risk assessments be removed. Internal Audit suggest that only the sentence 'and for each…system' is removed as a risk assessment is needed to ascertain IT Services controls, but the sentence relating to information systems is the Manager's responsibility.

Monitoring of access is part of the overall access control policy and should therefore form part of the network access control policy.

<u>Minor Recommendation 14</u>
IT Services should produce a network access control policy, to which the Information Security Policy should refer.

Only the reference 'and for each…system' should be removed from the paragraph.

2.13.2 <u>Review Point</u>
There is no standard relating to clock synchronisation, although this is a requirement of the Code of Connection (2.13.2).

<u>Minor Recommendation 15</u>
There should be a standard relating to clock synchronisation, to which the Information Security Policy should be referenced and this should reflect the requirements of the Code of Connection.

2.14 **Incident Management Procedures**

2.14.1 <u>Review Point</u>
There is a procedure but this is far briefer than the policy statement. For brevity it is suggested that the Policy states the requirement for users to report incidents, and cross-reference this to a guidance notice defining Information Security Incidents.   The Information Security Policy should state that a trained member of IT staff will investigate, document the incident and that a record will be maintained by the IT Manager and reported to the Security Forum.   Policy should then be cross-referenced to a more detailed investigation procedure. This simplifies the policies while enabling all parties to be fully briefed on the procedure.

<u>Minor Recommendation 16</u>
The ISP and Standards should state the requirement for users to report incidents, and cross-reference this to a guidance notice on what is an Information Incident.   The policy should then state that a trained IT person should investigate, document and a record be maintained by the IT Manager, which is reported to the Security Forum. Policy should then cross-reference to more detailed investigation procedures.

2.15 **Fault Logging**

2.15.1 <u>Review Point</u>
There are no standards is the Department's operating procedures relating to fault logging: what is logged, when, where is it filed etc.

<u>Minor Recommendation 17</u>
The procedure for fault logging should be explained in the ISP and Standards or the Policy should refer to the relevant fault logging procedures.

2.16 **Documented Operating Procedures**

2.16.1 <u>Review Point</u>
There is a generally comprehensive set of procedures, although, some technical areas are not included.   Some procedures are out of date, e.g. anti-

virus procedures, and so it is suggested that each procedure be given a review date, by which time the procedure will be reviewed and if necessary updated.

The IT Manager stated that there was no security hard copy of the procedures, kept in an off-site location.

Minor Recommendation 18
Each procedure should be given a review date, by which time the procedure will be reviewed and if necessary updated.
A complete copy of the operating procedures should be retained securely off-site as per ISP and Standards.

2.17   **Business Continuity Management**

2.17.1 Review Point
A key part of business continuity is to have a complete IT Disaster Recovery Plan to restore IT services, should an IT Disaster occur. Policy does not specifically state this.

Minor Recommendation 18
The ISP and Standards should state the there is an IT Disaster Recovery Plan in place, which will ensure that IT can be recovered according to the Authority's requirements. The Policy should state where the plan is filed and who is responsible for maintaining it.

2.18   **Capacity Planning**

2.18.1 Review Point
Capacity planning is part of the change control/set live process under ISP IT Services; current reference to management responsibility should be re-written as this is not their responsibility.

Minor Recommendation 19
Capacity planning should form part of the change control procedures and be the responsibility of IT Services.

2.21   **Authorisation of New Information Processing Facilities**

2.21.1 Review Point
Authorisation procedures for IT processing facilities have not been formalised. Originally there were IT acquisition procedures, but these were superseded by a Corporate Procurement Policy. Although there is a Procurement Policy there is no statement relating to IT, i.e. all purchases should be made through IT Services.

Minor Recommendation 20
Either an IT Procurement Policy should be written supported by procedures or the current Procurement Policy should include IT

**purchases and associated procedures. These should state that all new IT
equipment needs to be authorised by the IT Manager, checked by IT for
technical requirements and security and procured by IT.**

2.22.2 <u>Review Point</u>
The procedures associated with IT inventories are out-of-date and need to be
replaced, to ensure that appropriate steps are taken to ensure all new assets are
added to the register and all obsolete ones are archived, and that suitable
checking is undertaken.

<u>Minor Recommendation 21</u>
**A procedure should be written for updating and maintaining the asset
inventory. The Policy should refer to this procedure and its location.**

2.23   **Software Copyright**

2.23.1 Review Point
There is a change of procedure associated with maintenance and checking of
licences, which was originally based on Visual Audit software but is now
being developed to use Track-IT software. The date for completion is end of
August 2008.

<u>Minor Recommendation 22</u>
**The ISP and Standards should refer to procedures for managing,
protecting and auditing software and licences and where these procedures
are filed.**

2.24   **Equipment Maintenance**

2.24.1 Review Point
Key equipment storing and processing information, such as servers and PCs
are not maintained, other than they are repaired if malfunctioning.

The ISP and Standards should be re-worded to reflect the current
arrangements.

<u>Minor Recommendation 23</u>
**The ISP and Standards should state that 'ICT should have a service
agreement in place, which ensures prompt support in case of malfunction
of key equipment and software by trained personnel.' It should then state
who is responsible for holding these agreements.**

2.25   **Secure Equipment Re-Use and Disposal**

2.25.1 <u>Review Point</u>
The Policy does not make reference to a log being maintained to evidence
secure disposal, or that the Policy should be cross-referenced to the procedure
and logs.

Minor Recommendation 24
The ISP and Standards should state that a log will be maintained to evidence secure disposal equipment, and be cross-referenced to procedure and logs.

2.26   Equipment Protection

2.26.1 Review Point
The section on IT Equipment Protection, does not fully define the controls, but is over half a page long; it is suggested that rather than specifying the physical controls the Policy places emphasise on assessing and addressing the risks.

Minor Recommendation 25
A risk assessment should identify all risks associated with the physical security of IT equipment and record this in the form of a risk register. The physical security requirements for the Council's main server room should be documented, and associated controls implemented to safeguard the equipment.   The ISP and Standards should be cross-referenced to this documentation.

2.29   **Change Control Procedures**

2.29.1 Review Point
Change Control procedures have been produced for UNIX and also VMware, for which there are detailed logs. There is no need for the Policy to describe change control in detail as it may conflict with the documented process.

Minor Recommendation 26
Policy should simplify section 2.29 and refer to detailed technical procedures and where they are filed.

2.30   System Acceptance

2.31   Technical Compliance

2.30   Review Point and Recommendation 27
Suggest that these are addressed under 2.29.

2.32   **Control of Operational Software**

2.32.1 Review Point
This is really a change control issue, in terms of updating software and therefore does not need to exist as separate section, except for 'All third….' and 'Each product….'

Minor Recommendation 28
The Policy statement should only refer to paragraphs beginning ' All third party…' and 'Each product…'

Detailed comments relating to the Information Security Policy and Standards For Managers (Issue 1, October 2007)

2 Policy and Standards

2.1   **Risk Management**

2.1.1   Review Point
        The IT Services review suggests removal of annual audit referred to in the ISP and Standards for Managers. An annual risk assessment is important to ensure controls are up-to-date and the IT manager has reconsidered this suggestion.

        Although guidance is provided, there appears to be no Risk Assessment of IT assets on the Intranet. It will assist if responsibility is clearly defined in the ISP and Standards for Managers, in addition the Policy should state where the Risk assessments of IT assets should be held. It might be helpful to state a date, e.g. all risk assessments for 2007 will be filed on Intranet by 31 March 2008.

        Minor Recommendation 1
        The requirement of annual risk assessment of Information assets by managers (information owners) should be carried out and formally recorded. In support of this the ISP and Standards for Managers should state when the risk assessment report should be completed and where it should be filed.

2.1.2   Review Point
        If each manager (information owner) is expected to maintain an inventory of IT assets, he/she will need to be briefed on the format and requirements. There is a potential issue in that IT maintain an inventory, and therefore there is likely to be duplication. It is therefore suggested that only IT maintain a list of assets, but that IT can provide the information owner details of all assets they are responsible for on request.

        Minor Recommendation 2
        The statement in the Policy that managers (information owners) maintain their own Information Asset Register should be removed. The Policy should state that IT will maintain a complete inventory of Information Assets and that information owners will be provided with details of their assets on request to enable them to manage the assets and undertake their risk assessments.

2.2   **Legal Compliance**

2.2.1   Review Point
        The ISP and Standards for Managers states that managers shall identify all legislation. In practice it would be more practical and effective if one officer, possibly with legal advice investigate the requirement and laws relating to computer misuse, data protection and freedom of information.
        The managers should be aware of the requirements, and the policy should be cross-referenced to the relevant documents.

Minor Recommendation 3
The ISP and Standards for Managers should cross-reference to guidelines by the Council on legislation, such as Freedom of Information and Data Protection, indicate the training that is available, and state, who is the manager responsible for providing guidance. It should also state that Information Owners are aware of the contents of guidelines and ensure that requirements are followed.

2.3 **System Information Security Requirements**

2.3.1 Review Point
IT Services review suggests that the requirement to file for audit purposes be deleted. However, the IT Manager agreed that it is important to retain the checklists filed for as evidence, to reflect the fact that this important function has been completed and authorised.

2.3.2 Review Point

There is no specific guidance on information security and users do not necessarily meet these requirements. System Information Security requirements are the responsibility of the Information Owner and therefore should not be duplicated in the ISP and Standards for IT Services.

Minor Recommendation 4
There should be a guidance document issued to Information Owners on assessing information security requirements. This should only be referred to under ISP and Standards for Managers (information owners).

2.4 **Change Control Procedures**

2.4.1 Review Point
This is duplicated in ISP and Standards for IT Services (see section 2.29). 'System Information Security Requirements', 'Change Control Procedures', 'System Acceptance Technical Compliance', 'System Information Processing Validation' and 'System Test Data Protection' are all part of 'change control'. There are technical Change Control Procedures for UNIX, more recently a complete change control process introduced for VMware.
There is no documented change control process for the introduction of new application systems or major amendments to systems

Minor Recommendation 5
A procedure should be written to cover change control for application systems, replacement and upgrade. The ISP and Standards for Managers should state that all changes must follow this procedure.

2.5   **System Acceptance**

2.5.1   Review Point
        It would be useful to have clarity as to responsibilities for systems acceptance
        in information processing systems. The IT Manager stated that this area needs
        to be developed as part of change control for application systems.

        Rather than System Acceptance being a separate section it would simplify the
        Policy if it was referred to under Change Control, and clear change control
        procedures cross-referenced by Policy.

        Minor Recommendation 6
        **System acceptance should be incorporated into the Change Control
        section of the Policy.**

2.6   **Technical Compliance**

2.6.1   Review Point
        It would be useful to have clarity as to responsibilities for technical
        compliance. Therefore, associated procedures would be useful.

        Minor Recommendation 7
        **Technical Compliance should be incorporated into the Change Control
        section.**

2.7   **System Information Processing Validation**

2.7.1   Review Point
        It was agreed with the IT Manager that the system validation process is part of
        the change control process. Managers need guidance on what to consider and
        results should be placed in a file either centrally or linked to a system.

        In addition, the information owners will need to understand what is expected
        of them and therefore a guidance document is needed.

        Minor Recommendation 8
        **System Information Process validation should be incorporated into the
        Change Control section. The ISP and Standards for Managers should
        cross-reference to guidance documents.**

2.8   **System Test Data Protection**

2.8.1   Review Point
        There are serious data protection issues associated with test data holding
        personal information. It may not be acceptable for the Council to hold
        information of individuals unless it is accurate. The key point is that for
        testing of application systems either real data should not be used or if it is

Information Security Policy   **Appendix 4**
Detailed comments relating to the Information Security Policy and Standards
For Managers (Issue 1, October 2007)

necessary, information that allows individual to be recognised should be changed.

Minor Recommendation 9
The ISP and Standards for Managers should state that where 'live data' is used to support user testing, and then references to identify individuals should be removed.

2.9   **Business Continuity Management**

2.9.1   Review Point
The section on Business Continuity is satisfactory so long as there is an IT Disaster Recovery Plan, which falls under IT Services responsibility.
The statement is made ' The BCP shall be regularly tested…' but does not state responsibility for ensuring this is done nor where the results should be kept.

Overall responsibility for Business Continuity needs to be identified (currently rests with the Director of Corporate Services) within the ISP and Standards for Managers. Also clarity is needed on what is produced in terms of procedures and where this information is to be retained.

Minor Recommendation 10
The ISP and Standards for Managers should state who is responsible for co-ordinating Business Continuity and in addition state what procedures, test results, etc. are required, and where they will be stored.

2.10   **Capacity Management**

2.10.1   Review Point
This section appears to be duplication (see IT services 2.18); it was agreed with the IT Manager that capacity planning is usually an IT responsibility as it requires degree of technical expertise.

Minor Recommendation 11
Capacity Management should not be referred to under the ISP and Standards for Managers.

2.11   **Backup and Recovery**

2.11.1   Review Point
Reference is made in the Policy for the need to undertake regular recovery tests with the support of IT Services. This is not currently undertaken.

Minor Recommendation 12
Arrangements should be put in place to enable testing of systems and the ISP and Standards for Managers should state where the results are kept.

Information Security Policy   **Appendix 4**
Detailed comments relating to the Information Security Policy and Standards
For Managers (Issue 1, October 2007)

2.12   **Monitoring System Access and Use**

2.12.1   <u>Review Point</u>
There is no evidence of regular testing. Several applications do not block after unsuccessful access attempts. It may be easier to state 'access requirements and controls placed upon each system will be recorded in an access control policy, a copy of which will be sent to IT Services'.

<u>Minor Recommendation 13</u>
The section Monitoring System Access and Use, should be incorporated into User Access Management section in Policy and state 'access requirements and controls placed upon each system will be recorded in an access control policy, a copy of which will be sent to IT Services'

2.13   **Incident Management Procedures**

2.13.1   <u>Review Point</u>
IT Incident reporting is user and management responsibility; once reported it is essential that it is handled by a trained individual and these procedures should rest with such an individual. Operational managers should not be expected to successfully pursue an information incident. The IT Manager stated that currently a log is not maintained.

<u>Minor Recommendation 14</u>
Incident Management Procedures should be deleted for managers, who should follow section 2.26 'Reporting Information Security Incidents…'

2.14   **Documented Operating Procedures**

2.14.1   <u>Review Point</u>
It was agreed with the IT Manager only paragraph 1 of section 2.14 was relevant. The main point is that there is key documentation, a user manual and system administration manual; and that a copy of this is kept securely and regularly updated.

<u>Minor Recommendation 15</u>
Documented Operating Procedures should state only:
'Documented procedures, including system guide/procedures for the users and a system administration manual, should be available to users and held by nominated manager. An up-to-date copy of these procedures should be retained securely off-site'.

2.15   **Information Classification Policy**

2.15.1   <u>Review Point</u>
Without a corporate information classification policy it would be difficult for managers to comply with this section of the Policy. It should be a central corporate responsibility to define different types of information according to

sensitivity, and also to state handling requirements. Currently there is no Corporate information classification policy.

Minor recommendation 16
The Information Security Policy should state who is owner of the Corporate Information Classification Policy, and where it is filed. It should state that the system owner will classify the information under his/her control according to criteria of the Information Classification Policy and ensure that information is handled as specified by the policy.

2.16   **Data Protection and Freedom of Information**

2.16.1 Review Point
Rather than requiring every manager to examine legislation, the ISP and Standards should cross-reference to the Data Protection and Freedom of Information Policy and Guidance. Line Managers and Information Owners should be expected to make themselves aware of the requirements of Data Protection and Freedom of Information Policy and Guidance documentation.

Minor Recommendation 17
The Policy should state what guidance is available on Data Protection and also that all managers (information owners and line managers) are required to read and understand the guidance and if necessary seek advice from the designated Data Protection Officer.

2.17   **Information and Software Exchange Agreements**

2.17.1 Review Point
Connect Cumbria have agreed template information and software exchange agreements but these have not, as yet been issued. The IT Manager agreed that the Policy needed to state that information exchange will only occur after an information exchange agreement is in place and authorised; and that the Council will keep a record of all software exchange agreements. No exchange should take place without such an agreement.

Minor recommendation 18
Suitable documentation and procedures for third party agreements should be agreed and made available on the Intranet. The ISP and Standards for Managers should state where these are filed and that all managers requiring to exchange information must complete the documentation and pass to the IT Manager for approval. No information should be exchanged with a third party without an approved exchange agreement in place.

2.18   User Access Management and 2.19 Application Access Control

2.18.1 Review Point
        The IT Services review indicated that there is no need for a 6-monthly review
        of access. The user access arrangements become out of date if there is not a
        regular review of access.   This is a key area, and currently 'Managers must
        document access control arrangements' is not specific enough.

        Minor recommendation 19
        **Guidance should be written based upon BS 7799 on the requirements for
        an access control policy. Then the ISP and Standards for Managers need
        only state that Information Owners will ensure that all applications are
        supported by an access control policy, where guidance is provided, and
        where the policies will be filed.**

2.20   **Authorisation of New Information Processing Facilities**

2.20.1 Review Point
        Previously there were IT acquisition procedures but these have been replaced
        by procurement procedures. Although there is a Procurement Policy there is
        no statement relating to IT, e.g. all purchases should be made through IT.

        Minor Recommendation 20
        **Either an IT Procurement Policy should be written, supported by
        procedures or the current Procurement Policy should include IT
        purchases and associated procedures. The Policy should then state that
        all new IT equipment needs to be authorised by the IT Manager, checked
        by IT for technical requirements and security and procured by IT.**

2.21   **Property Removal**

2.21.1 Review Point
        Currently there is no formal reporting of IT assets by managers to IT Services.
        The Policy needs to explain the process and the records to be maintained.

        Minor Recommendation 21
        **The ISP and Standards for Managers should state how managers inform
        IT Services of IT asset movements, and where this is recorded.**

2.23   **Third Party Agreements**

2.23.1 Review Point
        The ISP and Standards for Managers states that a template should be used for
        third party agreements and provide an example, which it is understood is not
        currently used.

Information Security Policy   **Appendix 4**
Detailed comments relating to the Information Security Policy and Standards
For Managers (Issue 1, October 2007)

Minor Recommendation 22
The ISP and Standards for Managers should state the requirements for third party access to information, and refer to the procedures, where located and what record of third party arrangements need to be retained and where.

2.24   **Personnel Screening**

2.24.1 Review Point
It is unclear where the recruitment procedures are filed.

Minor Recommendation 23
Paragraph one of section 2.24 of the ISP and Standards for Managers should state where the information is filed.

2.25   **Information Security Awareness**

2.25.1 Review Point
Currently users are not required to sign their agreement to the Policy. However, this is a Code of Connection requirement and the IT manager has referred the issue to Personnel.

Minor Recommendation 24
The Policy should state that all users must read the ISP and Standards for Managers and sign acceptance before being provided access and in addition the ISP and Standards for Managers should state where signed agreements will be filed.

2.26   **Reporting Information Security Incidents.**

2.26.1 Review Point
The ISP and Standards for Managers refers to paragraph 2.13. However this does not explain the reporting process. The action to be taken once supported is IT Services responsibility, therefore reference to 2.13 should be removed.

Minor Recommendation 25
Reference to 2.13 should be removed from section 2.26 of the ISP and Standards for Managers. Guidance should be provided on the Intranet, as to what is an incident etc. and Policy should cross-refer to this.

Information Security Policy   **Appendix 5**
Detailed comments relating to the Information Security Policy and Standards
For Users (Issue 1, October 2007)

Information Security Policy and Standards
For Users
Issue 1, October 2007

2   Policy and Standards

2.1   Reporting Information Security Incidents

2.1.1   <u>Review Point</u>
       BS 7799 recommends that clear guidance be provided on what is a security incident and how it is reported. Incident response is a requirement of the Code of Connection. If guidance is provided in the form of an incident reporting/response procedure then, the ISP and Standards for Users can be simplified to state that incident should be promptly reported, and that the user must not attempt to investigate or correct.

       <u>Minor Recommendation 1</u>
       The ISP and Standards should provide a concise section on reporting information security incidents, and cross-refer to Information Security Incident Guidance and Procedures.

  2.2   Information Classification and Handling

2.1.2   <u>Review Point</u>

       This section provides guidance; it is a page long. However, it is of a general nature and more specific guidance is needed on classification and the handling of information according to its classification.

       <u>Minor Recommendation 2</u>
       The Authority should issue a guidance document on the copying, storage, transmission and sharing (electronically, by post, by spoken word) and disposal of Council information. The ISP and Standards should cross-refer to this and emphasise the need to adhere to Departmental Policy.

2.3   Clear Desk and Screen Policy

2.3.1   <u>Review Point</u>
       This is clear policy/guidance to users with the exception of 'consider using password protected files when stored in shared directories/drives where files contain sensitive information'. If staff are using shared files they are probably acting in line with local Departmental Policy, and the manager will offer guidance on what is password protected. There may be occasions when password protecting files may interfere with the sharing of information within a section.

Information Security Policy   **Appendix 5**
Detailed comments relating to the Information Security Policy and Standards
For Users (Issue 1, October 2007)

Minor Recommendation 3
Bullet point eight (relating to password protected files) should be reviewed and updated or deleted from Section 2.3 of the ISP and Standards.

2.5   Data Protection Policy

2.5.1   Review Point
The area of Data Protection is complex and therefore it is necessary to have a Data Protection Policy and guidance. If the ISP and Standards refer to these documents, the ISP and Standards can be brief with a cross-reference to appropriate policies and standards.

Minor Recommendation 4
Section 2.5, of the ISP and Standards should only state that it is important to comply with Data Protection requirements and that staff should follow departmental procedures on this and ask their line manager for guidance if in doubt. The ISP and Standards should cross-refer to Data Protection policies and guidance documents.

2.6   User Access Management

2.6.1   Review Point
The second paragraph relating to notifying managers when leaving is unnecessary, as this will happen accordingly.

Minor Recommendation 5
Section 2.6 should only include the sentence beginning 'You shall not share a user account…' The rest of the section should be reviewed, and possibly updated or removed.

2.7   Password Policy

2.7.1   Review Point
It is suggested that the first paragraphs are not needed as these should form part of automated password management system up to 'All users shall comply with the following', which reflects good practice and should be retained.

Minor Recommendation 6
The paragraphs before 'All users shall comply with the following' should be removed and section 2.7.1 should be updated or removed.

2.9 **Software Copyright and Intellectual Property Rights**

2.9.1 <u>Review Point</u>
This appears to duplicate 2.8

<u>Minor Recommendation 7</u>
Section 2.9 should be deleted or incorporated into section 2.8.

2.10 **Computer Misuse**

2.10.1 <u>Review Point</u>
It is difficult for users to know and therefore comply with 'misuse legislation'.
It is preferable for policy to state what actions users should take to comply
with the law. Apart from the first sentence, the rest of the section appears to
provide this guidance.

<u>Minor Recommendation 8</u>
**The first sentence and last Section 2.10 of the ISP and Standards should
be updated or removed.**

2.11 **Malicious Software Protection**

2.11.1 <u>Review Point</u>
Para 2 It is suggested that this is not user responsibility.
Para 3 This is complex and it would be preferable if the software enforces this
control.
Para 4 Ideally virus-checking should be automatic.

<u>Minor Recommendation 9</u>
**Paragraphs 2,3,4 of section 2.11 of the ISP and Standards should be
reviewed and updated.**

2.12 **E-mail and Internet**

<u>Review Point</u>
This section does not include a number of areas, including:
• use for own personal or business;
• use of global emails;
• when emails should be used/not used;
• sending of unnecessary emails;
• the use of emails to express opinions about people (could be libellous).

As stated under ISP for IT Services an effective approach may be to minimise
comment in the Information Security Policy and refer to a separate Email and
Internet Usage Policy.

Information Security Policy   **Appendix 5**
**Detailed comments relating to the Information Security Policy and Standards
For Users (Issue 1, October 2007)**

Minor Recommendation 10
**There should be an Internet/Email Usage Policy to cover all related issues
and the ISP and Standards should only state that the requirements of the
Email/Internet Policy Usage must be followed.**

2.15 Property Removal

2.15.1 Review Point
The first sentence is needed in relation to requiring users to gain permission
for removal of IT assets, but the rest are management issues.

Minor Recommendation 11
**Only the first paragraph of 2.15 should be retained for users, but the
other part of the section should fall under 'management responsibility'.**

2.17-
2.20 Review Point
These are areas that should be applied to IT Services and Managers, but are
not the responsibility of users.

Minor Recommendation 12
**Sections 2.17-2.20 should fall under the responsibility of IT Services and
Managers.**

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 08-28
CLIENT MONITORING (REVENUES AND BENEFITS)

Executive Summary

Introduction

The Council have an agreement for the provision of the revenues and benefits service with Liberata UK Ltd. The contract was initially awarded in 1998, and in 2005 was further extended until 2018. The annual total contract sum payable by the Council is in excess of £2m.

In order to adequately monitor the performance of the contractor, and achieve compliance with specified statutory functions, a Client Monitoring section was established by the Council. The Client Monitoring section consists of one full time and two part time employees, who report directly to the Deputy Borough Treasurer.

Audit Objectives

An audit of this system forms part of the agreed 2008/09 audit programme. The audit objectives were to evaluate and test the internal controls of the Client Monitoring process. The scope and objectives were discussed and agreed in advance with Sue Roberts, Deputy Borough Treasurer.

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
Restricted Assurance
Eleven important issues.
Two minor issues.
One Previous Recommendation.

Audit Conclusion – *Restricted Assurance*

As a result of the audit we have concluded that a significant number of weaknesses have been identified in the system of control, which may put some of the system objectives at risk. We have made eleven Priority 2 recommendations, which relate to:

- ensuring the 10% sample check of overpayments on the BPY 309 'overpayments report' are performed on a timely basis;
- ensuring the issues regarding the BPY 309 'overpayments report' are resolved immediately;
- considering performing a separate sample check of overpayments classified as 'fraudulent' or 'Local Authority' error;
- considering requesting statistics to be produced on a timely basis;
- considering the introduction of performance targets;
- ensuring any IT failures and general concerns are formally reported to the Borough Treasurer, and on a timely basis;
- considering performing a more detailed check on benefit payments;

- considering performing sample checks on direct debits and BACS payments set up by Liberata;
- considering performing accuracy checks on statistical data provided by Liberata;
- ensuring a clear terms of reference is produced for the Client Monitoring Section; and
- consider specifically monitoring over set periods of time, the benefits 'case load' managed by Liberata.

In addition, we have made two Priority 3 recommendations concerning the reporting of the results of the six month replacement bailiff trial to operational performance meetings prior to implementing a change to the bailiffs used; and clearly defining the responsibility for administration, monitoring and reporting of complaints regarding the Revenues and Benefits Service.

Internal Audit also reviewed the one outstanding recommendation made in Audit Report 05-14, dated May 2005. The recommendation remains outstanding and concerns providing Client Monitoring Officers with additional training in respect of the interest on NNDR overpayments.

Management Response

We have received a constructive management response from Sue Roberts, Deputy Borough Treasurer, 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: Deputy Borough Treasurer**	**Priority**	**2**

The Client Monitoring section should ensure that the 10% sample test checks of benefit overpayments, are performed on a timely basis; and samples risk assessed, i.e. undertaken within each week and focussing on large values.

Rationale

Overpayments of benefit usually arise due to a change in a claimant's circumstances. Details of any overpayments are included on the BPY 309 'overpayments created' report which is produced on a daily basis.

The Client Monitoring section set the BPY 309 'overpayments created' report to be run overnight; the report is extracted the following morning.

However, the review identified that the BPY 309 'overpayments created' report has not been reviewed by the Client Monitoring section since April 2008.

This weakness increases the risk that overpayments which have been incorrectly classified, resulting in a potential reduction in subsidy to the Council, may not be identified and rectified on a timely basis.

Management Response

There have been problems with the overpayment reporting on the revenues and benefits system. This has meant that for a period of time the overpayment report has not been available. The Client Section has an additional resource from January 2009 and the overpayment checks will be brought up to date.

Accepted		**Implementation Deadline:**	**31 January 2009**

Recommendation 2	Responsibility: Deputy Borough Treasurer	Priority	2

The Council should ensure that the issues regarding the production of the BPY 309 'overpayments created' report are resolved immediately to allow the timely verification of overpayments by the Client Monitoring Section.

Rationale

Through discussion we were informed that since the 1st August 2008, the 'overpayments created' report BPY 309 cannot be produced by Liberata due to problems with the benefit reporting system.

We were informed that the Client Monitoring section have selected the sample of overpayments to check, however it has not been possible to complete the checking process. This is creating a further backlog of test checks to perform; and therefore puts into question the actual value of performing such checks, when the actual transactions are now historic.

Management Response

The contractor's software providers are aware of the concerns with reporting overpayments. The issue is resolved, but took longer than expected to implement because the 'fix' addressed more than one part of the system and needed to be thoroughly tested first.

Accepted		Implementation Deadline:	Implemented

Recommendation 3	**Responsibility: Deputy Borough Treasurer**	**Priority**	**2**

The Council should consider performing a separate specific sample check of overpayments classified as 'fraudulent' or 'Local Authority' error.

Rationale

Details of any overpayments are included on the BPY 309 'overpayments created' report which is produced on a daily basis.

The Client Monitoring section set the BPY 309 'overpayments created' report to be run overnight; the report is extracted the following morning. Client Monitoring then select a random sample of 10% of overpayments, and verify that the overpayment has been calculated and classified correctly.

However, this sample check does not specifically target overpayments which have been classified as 'fraudulent; or 'Local Authority' overpayments, which should attract specific attention due to subsidy purposes.

Management Response

The revenues and benefits Client Manager has now incorporated this into the sample checks.

Accepted		**Implementation Deadline:**	**Immediate**

Recommendation 4	**Responsibility: Deputy Borough Treasurer**	**Priority**	**2**
Management should consider requesting statistics to be produced on a timely basis; specifically with regard to the sample test checks performed by Client Monitoring.			

Rationale

The Deputy Borough Treasurer currently receives limited benefit statistics regarding the number of claims, the back log date of new claims and the date of the oldest change of circumstances.

However, we were informed that the Deputy Borough Treasurer does not receive statistical information relating to the sample test checks performed by Client Monitoring.

This information could analyse for example, the total number of claims within a sample, the number of claims checked by Client Monitoring and the number of errors identified, for the following test checks:

- benefit determination (10% test check);

- daily overpayments (10% test checks); and

- sundry debtors recovery (10% test check).

Providing the Deputy Borough Treasurer with detailed results/analysis of test checks performed by Client Monitoring, would assist the Council in monitoring contractor performance and identify any concerns on a timely basis.

Management Response

I agree that the sampling statistics would provide an indication of the contractors performance as well as the Client Section.

Accepted	**Implementation Deadline:**	**30 April 2009**

Recommendation 5	**Responsibility: Borough Treasurer**	**Priority**	**2**

The Council should consider introducing performance targets in accordance with the agreement which are:

- specific;
- challenging;
- add value; and
- eliminate waste.

Rationale

The Council have an agreement for the provision of the revenues and benefits service with Liberata UK Ltd. The contract was initially awarded in 1998, and in 2005 was further extended until 2018.

Internal Audit viewed the main agreement and schedules to the agreement for the provision of the services between the Council and the Contractor 'Liberata' UK Ltd. It was identified that the contract does not include specific performance targets; in addition the contract does not appear to have any performance reward or penalty clauses, for example if the contractor underperforms.

Section 9.8.1 of the contract states that the Council and Contractor should set "quantitative and qualitative targets in respect of each element of the services for the subsequent contract year which are specific, challenging, add value; and eliminate waste."

Internal Audit obtained the Quarter 4 2007/2008 statistics from the LA Cumbria Forum; this provides details for each of the housing benefit performance indicators for the six Cumbrian authorities including Barrow. The average performance target achieved was as follows:

	New claims	Change of Circumstances
LA Cumbria Forum average	24.5	6.23
Barrow	28.04	17.54

The Council and Liberata have set targets for 2008/2009 which are based on 27 days (new claims) and 16 days (change of circumstances). These targets would not appear to be challenging; which may not provide best value based on the high cost of the contract.

Without specific targets, and importantly performance reward/penalty clauses, there is an increased risk that Liberata has little incentive to improve performance.

Management Response

The scheme of indicators changed in this year, so our targets needed revision. 2009-10 will be set in line with the agreed criteria.

Accepted		**Implementation Deadline:**	**31 March 2009**

Recommendation 6	**Responsibility: Borough Treasurer**	**Priority**	**2**

Client Monitoring should ensure that any IT failures and general concerns are formally reported to the Borough Treasurer; and on a timely basis.

Rationale

During the review Internal Audit were informed of several concerns/issues surrounding the level of service provided by the Contractor; however these concerns are not formally reported to the Borough Treasurer. (Although some of the service issues may be discussed at the operational performance meetings.)

For example, we were informed of the following potential concerns:

     a) benefit appeals being centralised from the Barrow office to the Sheffield office;

     b) the changing of the document codes used for scanning;

     c) the change of the scanning team from Redcar office to Pendle office and the problems encountered;

     d) data protection issues concerning the disbanding of the dedicated Barrow team to allow to all Liberata staff access to processing Barrow workload; and

     e) IT failures by the Contractor (the review identified that a number of 'checks' undertaken by the Client Monitoring section could not be performed due to IT failures.)

Formally notifying the Borough Treasurer of any concerns would assist in ensuring the responsible officer is aware of any potentials issues, which could then be raised at operational performance meetings between the Council and Liberata. This could also be formalised through completion of specific forms etc for example, completing a document/form which substantiates concerns and highlights the impact/risk to Council.

Management Response

The Client Section will be requested to provide written notifications of these matters.

Accepted		**Implementation Deadline:**	**30 April 2009**

Recommendation 7	**Responsibility: Deputy Borough Treasurer**	**Priority**	**2**

Management should consider whether a more detailed check on benefit payments should be performed by the Client Monitoring section.

Rationale

For each housing benefit 'payment run' a 'control sheet re housing benefit' is completed, this is for both rent allowance and rent rebate. The control sheet is initially completed and authorised by Liberata, following which it is emailed to Client Monitoring. The control sheet is subsequently 'checked and agreed' by Client Monitoring.

However, through discussion it was identified that the control performed by Client Monitoring simply involves checking the overall totals are correct for each payment run; a sample check on a number of payments within the payment run is not performed.

Furthermore it was confirmed that the Borough Treasurers Department also perform a similar check to confirm the payment 'run total' is correct; therefore potentially duplicating work.

Management Response

The payment process between Liberata, the Client Section and the Borough Treasurer's Department is currently under review.

Individual entitlement is checked as part of the daily sampling by the Client Section.

Accepted		**Implementation Deadline:**	**30 April 2009**

Recommendation 8	**Responsibility: Deputy Borough Treasurer**	**Priority**	**2**

Client Monitoring should consider performing sample checks on direct debits and Benefits BACS payments created by Liberata to ensure accuracy of processing.

Rationale

Internal Audit were advised by the Client Manager that checks are not performed on the accuracy of direct debits for Council Tax and National Non Domestic rates; or housing benefit payments by BACS. This is a potential area where improvements to the control arrangements may provide additional assurance to the Council for a major outsourced service.

Management Response

Agreed, now that additional resources are available within the Client Section and the benefit and revenues payments are to be all electronic, checks on accuracy should help prevent future errors.

Accepted	**Implementation Deadline:**	**30 April 2009**

Recommendation 9	**Responsibility: Deputy Borough Treasurer**	**Priority**	**2**
The Council should consider performing accuracy checks on the statistical data provided by Liberata; specifically to ensure accuracy and validity.			

Rationale
Statistics for example, processing times, backlogs etc and supporting information are produced by Liberata and submitted to the operational performance meetings held with the Council.   However, it was identified that the Council's Client Monitoring section do not perform any checks to confirm the accuracy of the statistics provided.   To ensure the accuracy of the statistical information provided by Liberata and clear understanding of the current position, an independent check by Client Monitoring should be considered.

Management Response
The revenues and benefits Client Manager has undertaken this task now.

Accepted		**Implementation Deadline:**	**Implemented**

Recommendation 10	**Responsibility: Borough Treasurer**	**Priority**	**2**

The Council should ensure clear terms of reference are produced for the Client Monitoring Section, including NNDR and Council Tax responsibilities.

Rationale

The Client Manager provided Internal Audit with a list of all tasks undertaken by the Client Monitoring section. However, we were informed that a formal terms of reference does not exist. It was stated that the work undertaken by Client Monitoring has largely been reactive and has developed over the duration of the contract. Documenting a terms of reference, specific to the Client Monitoring section would assist in ensuring that the Agreement for Services is monitored efficiently and effectively and avoid duplication of tasks.

Additionally, this would ensure clarity in terms of responsibility and reporting requirements.

Management Response

Terms of reference will be drawn up.

Accepted	**Implementation Deadline:**	**30 April 2009**

Recommendation 11	Responsibility: Deputy Borough Treasurer	Priority	2
The Council should consider specifically monitoring over set periods of time, the benefits 'case load' managed by Liberata, in order to effectively monitor the service.			
Rationale			
The Deputy Borough Treasurer currently receives limited benefit statistics from the Client Monitoring section regarding the number of outstanding claims, the back log date of new claims and the date of the oldest change of circumstances. However, these statistics do not provide figures regarding the overall case load handled by the contractor. The provision of such statistics would assist in monitoring the ongoing workload and performance of the contractor, and may highlight particular trends or fluctuating volumes.			
Management Response			
This will be referred to the Liberata Liaison Team.			
Accepted	**Implementation Deadline:**	**28 February 2009**	

Recommendation 12	Responsibility: Borough Treasurer	Priority	3

The Council should ensure that the results of the "six month replacement bailiff trial" are reported to operational performance meetings prior to implementing any change in the bailiffs used.

Rationale

Liberata have utilised, for a number of years, the bailiff services of Jacobs's, who provide a nationwide debt recovery and enforcement service for unpaid debts. However, Internal Audit were advised by Client Monitoring that Liberata are considering replacing 'Jacobs' with 'Rossendales' whom Liberata use for all other client sites.

Internal Audit were informed that a six-month trial is currently ongoing to determine the best performing bailiff contractor, prior to a final decision being taken.

Management Response

The result of the bailiff trial will be reported to the Liberata Liaison Team in due course.

Accepted		Implementation Deadline:	28 February 2009

Recommendation 13	Responsibility: Deputy Borough Treasurer	Priority	3

Responsibility for the administration, monitoring and reporting of complaints regarding the Revenues and Benefits Service should be clearly defined.

Rationale

Internal Audit were informed that the Client Monitoring section have recently started to receive and process complaints regarding the Revenues and Benefits Service. However, it was highlighted that this additional responsibility is having a detrimental effect on the performance of other 'checking tasks' performed by Client Monitoring. The Council should therefore review and define responsibility for complaints taking into account any potential adverse implications.

Management Response

The Client Section do look after this now and it will be incorporated into their terms of reference.

Accepted		Implementation Deadline:	30 April 2009

Previous Recommendation	**Responsibility: Deputy Borough Treasurer**
The Council should implement the agreed outstanding recommendation from Audit report 05-14, dated November 2005, namely: The Council should consider providing additional training to Client Monitoring Officers in respect of the calculation of the interest on NNDR overpayments. (Priority 3)	
Rationale	
Internal Audit were informed that a suitable course or specific training has still not been identified.	
Management Response	
The Revenues team are happy to provide training to the Client Section. This is not a topic that would ever be covered by a training course. The Client Section will liaise with Revenues to organise this.	
	Revised Implementation Deadline: Immediate

APPENDIX 1

AUDIT FRAMEWORK

Coverage

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

-       Local authority error and claimant error overpayments 10% check;
-       Fraudulent overpayments;
-       Daily overpayment report; and
-       Sundry debtor overpayment clearance.

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: Neil Ashbrook and Claire Jackson

The fieldwork was performed: August 2008

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

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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.
Priority 3	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 08-13
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. From April 2005, the Council's area housing offices and main cash office situated in the Town Hall, ceased to receive payments for Council Tax, as the progression of electronic payment methods were more fully adopted. The gross liability for 2008/09 is approximately £37m relating to 33,123 properties.

Audit Objectives

An audit of this system forms part of the agreed 2008/09 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
Two minor issues

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 two Priority 3 recommendations, which concern:

- promptly clearing items from suspense; and

- consistently documenting a reason, for all suppressed accounts, within the account notepad facility.

Internal Audit reviewed the one recommendation made in Audit Report 07-09, dated March 2008. The recommendation has been fully implemented.

Internal Audit also reviewed the agreed outstanding recommendation made in Audit Report 06-26, dated April 2007. The recommendation has been fully implemented.

Management Response

We have received a constructive management response from Lesley Wood, Senior Revenues Technician, 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: Senior Revenues Technician	Priority:	3

Liberata should ensure that items are promptly and consistently cleared from the Council Tax Suspense Account.

Rationale

The Council Tax Suspense Account is reviewed and reconciled approximately every two months by Liberata's nominated Technical Officer. Examination of the 'suspense account file' identified reconciliations had been performed in January, March, May, August, October and November 2008.

Internal Audit selected a sample of five items posted to suspense during 2008/09. For the sample, two had been corrected within two months. The remaining three items have not been corrected as information relating to the correct posting of the transaction is awaited. Additionally, there are 35 items over two months old which remain in the Suspense Account.

Management Response

The procedure for reviewing and clearing the Council Tax Suspense account will be revised and agreed between the Borough Treasurer and the Contractor.

Prompt identification and the matching of receipts to accounts is very important.

Accepted		Implementation Deadline:	31 March 2009

Recommendation 2	Responsibility: Senior Revenues Technician	Priority:	3

Liberata should ensure that a reason is consistently documented within the account notepad facility, for all accounts suppressed for more than 30 days.

Rationale

The Council Tax Collection Section procedures state "where a suppression is made for more than 30 days, the reason should always be noted in the account notepad under the general file."

Internal Audit selected a random sample of fifteen suppressed accounts from the iWorld 'recovery extract exception' report. On three occasions an appropriate reason for the suppression had been given.

On twelve occasions no reason had been documented. Of these, two were suppressed for less than one month and a documented reason was not applicable; and four were accounts which the Council has a payment agreement; however this was not documented on the system.

Internal Audit were therefore unable to confirm the reason to substantiate the suppression of the remaining six accounts in the sample.

Management Response

Due to the volume of calls, it is impossible to document reasons for suppressions in all cases and Liberata have never committed to doing so.

We have a policy that is adhered to by staff, which states that for suppressions of more than 30 days a notepad is necessary. Individuals are encouraged to use their judgement i.e. if benefit is outstanding or a letter awaiting response, or a payment arrangement in progress, a suppression avoids unnecessary billing. When time permits a notepad should always be posted but in a few cases this is not always possible.   Further investigation of the Account Manager screen (iWorld) and Anite document system should clarify any suppression over 30 days.

Accepted		Implementation Deadline:	30 June 2009

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 Jackson, Sarah Williams and Sarah Cullen

The fieldwork was performed: October to December 2008.

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

<div align="right">**APPENDIX 2**</div>

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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.
Priority 3	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 08-14
NATIONAL NON DOMESTIC RATES

Executive Summary

Introduction

The provision of the Council's National Non Domestic Rates service is performed by Liberata, as part of a long term contract awarded in 1998. The progression of electronic payment methods have become more widely adopted following the closure of cash payment offices by the Council over recent years. The total rateable value for NNDR properties for 2008/09 is approximately £48.1m with a gross liability of £22.2m relating to 2,327 properties.

Audit Objectives

An audit of this system forms part of the agreed 2008/09 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
No important issues
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 3 recommendation, which concerns ensuring that receipt of an organisation's financial accounts is annotated on each application form for all organisations claiming discretionary rate relief.

In addition, Internal Audit reviewed the three agreed recommendations made in Audit Report 07-11, dated March 2008. Two recommendations have been fully implemented and one recommendation remains outstanding; this relates to ensuring application forms are completed for all discretionary relief awarded.

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	Priority:	3

Liberata should ensure that receipt of an organisation's financial accounts is annotated on each application form for all organisations claiming discretionary rate relief.

Rationale

Organisations such as charities and Community Amateur Sports Clubs (CASCs) are entitled to relief from business rates payable on any non-domestic property which is wholly or mainly used for the purposes of the organisation. In many cases, mandatory relief is awarded at a fixed percentage of the bill and the Council has discretion to give further relief on the remaining outstanding balance. To claim discretionary relief, an application form must be completed and returned to the Council, together with a copy of the organisation's last published accounts.

A sample of fifteen accounts in receipt of Discretionary relief was selected and Internal Audit identified, for the:

- six charitable organisations selected, year end accounts were documented as provided on only two occasions.

- two 'not for profit' organisations, were recorded as accounts provided to the Town Hall;

- five amateur sports club's accounts had been recorded as provided on only four occasions.

- two discretionary village shop applications, accounts had been recorded as provided on only one occasion.

It could subsequently be confirmed from the Business Rate Relief spreadsheets, the complete details of organisation's accounts had been provided; however, this was not recorded as required on the application form or scanned documentation.

Management Response

Receipt of each organisation's financial accounts will be annotated on the application form for all organisations claiming discretionary rate relief.

A copy of the revised application form has been supplied to the Auditors.

Accepted		Implementation Deadline:	Immediate

Previous Recommendation	**Responsibility: Senior Revenues Technician**

Liberata should ensure that application forms are completed for all discretionary relief awarded, and consider requesting a replacement form is completed where required. (Priority 3)

Rationale

A sample of fifteen accounts in receipt of discretionary relief was selected and Internal Audit identified one case, where the required application form was not available.

Applications for discretionary business rate relief are awarded by the Council's Grants Committee; and as such formal applications are required in all cases from the relevant business organisation.

Management Response

All discretionary relief applicants must complete and return the form. If an application is not made, there will be no award.

The missing application form must have been received for an award to have been made and appears to be missing via scanning. In the circumstances the NNDR team have written out for replacement form to be completed.

All mandatory requests are checked against the Charity Commission Website to ensure registration. Forms are then sent to all charities to ensure we have a completed application. When not returned they are reminded.

Revised 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 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.

Performance

Auditors: Claire Jackson, Sarah Williams and Sarah Cullen.

The fieldwork was performed: October –December 2008.

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

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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.
Priority 3	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 08-21
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 195 full time, 111 part time and 53 casual staff employed by the Council, with a gross salary of approximately £6.2m per annum. In addition, there are 36 Councillors included on the system for the payment of attendance allowance, travelling expenses and the reimbursement of costs relating to telephone equipment, etc.

Audit Objectives

An audit of this system forms part of the agreed 2008/09 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 Sue Roberts, Deputy Borough Treasurer and Anne Thistlethwaite, Payroll Officer.

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
Four important issues
Five minor issues

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 four Priority 2 recommendations relating to ensuring:

- changes to standing data are input and reviewed by independent officers;

- variations to the standard method of paying an employee are clearly documented and approved by management;

- the calculation of final pay for leavers is independently checked for accuracy; and

- the Payroll Officer returns incorrect or incomplete mileage forms to the claimant.

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

- ensuring that subsistence claims are accompanied by supporting receipts;

- ensuring that Officer's expense forms are initialled to confirm they have been checked for accuracy by the Payroll Officer;

- considering introducing a pro-forma to document the calculation of pay for new starters;

- ensuring current versions of Officers and Members claim forms are available on the Council's Intranet facility; and

- ensuring management sign and date the 'Employee Details – New Starters' report as evidence of a review.

Internal Audit also reviewed the implementation of the agreed recommendations made in Report 07-17, dated December 2007 and Report 06-23, dated March 2007. Two of the four recommendations have been implemented and two recommendations remain outstanding, these relate to:

- updating payroll procedures; and

- ensuring overtime and subsistence claims are processed on the correct forms.

Management Response

We have received a constructive management response from Sue Roberts, Deputy Borough Treasurer, 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: Deputy Borough Treasurer**	**Priority:**	**2**

The Council should ensure that changes to the Payroll system for employee standing data are input and checked by separate officers.

Rationale

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 by the Accounts Officer, who following completion generates a data input report. 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 on two occasions the input and subsequent verification of the output for accuracy had been performed by the Payroll Officer only.

This weakness may not provide the Council with adequate assurance over the performance of internal control and reconciliation procedures, particularly in relation to dealing with sensitive information.

Management Response

The input and review of changes to standing data should be independent. Payroll staff will be reminded.

Accepted		**Implementation Deadline:**	**31 March 2009**

Recommendation 2	**Responsibility: Deputy Borough Treasurer**	**Priority:**	**2**

The Payroll Officer should ensure that variations to the standard method of calculating an employee's monthly pay are clearly documented and approved by management.

Rationale

The standard method of calculating an employees monthly pay is performed by dividing the annual salary (Pay Spine) by twelve. The payroll software holds the pay scale parameters and automatically calculates the monthly pay.

Internal Audit re-performed the calculation of the monthly salary for a sample of ten employees.

The review identified an employee holding two posts with the Council, which were at different pay rates. It is understood a formula has been devised to arrive at a single monthly rate, to enable payment to be compatible with the payroll system parameters.

Internal Audit manually calculated the monthly payment for both rates of pay which when totalled together identified a small variance of £0.03 to that calculated by the payroll system. However, evidence that this methodology was acceptable was not available.

This is a potential weakness in the system of control, as a partly theoretical grade is used, instead of having two separate entries with actual grades and hours worked.

Management Response

The standard method of calculating pay as a twelfth of a scale point does not always apply and payroll staff do have to carry out manual calculations. I do agree that such calculations should be consistent and independently reviewed.

Accepted	**Implementation Deadline:**	**31 March 2009**

Recommendation 3	**Responsibility: Deputy Borough Treasurer**	**Priority:**	**2**

The Council should ensure that the calculation of the final pay for leavers is checked by a second officer to confirm accuracy.

Rationale

Departmental managers are responsible for confirming the leaving date of their staff. The Personnel Department provide Payroll with details of the proposed resignation. In addition, the Payroll Officer receives an "Exit Checklist" from Personnel, which provides details of any holiday, overtime or payments owing. The final payment is calculated by Payroll, including deductions and any credits; these details are added to data entry forms and input accordingly.

Internal Audit were informed that generally, data is entered by the Accounts Officer; and the Payroll Officer performs an input/output report review. The documents are marked to confirm input (certain reports indicate the ID of the input officer).

However, testing could not confirm that the input and review had been performed by different officers. Specifically, sample testing of five final pay calculations identified that on each occasion a check by a second officer had not been recorded.

The input officer should initial each data capture form and the reviewing officer should sign the report signifying a check has been completed. This action would provide greater assurance regarding the internal controls.

Management Response

I believe that this work is being performed and checked independently, however the evidence of this is not being adequately recorded. This will be amended.

Accepted	**Implementation Deadline:**	**31 March 2009**

Recommendation 4	**Responsibility: Deputy Borough Treasurer**	**Priority:**	**2**

The Payroll Officer should return claim forms received from employees where the form has not been completed correctly.

Rationale

Employees are required to submit claims for expenditure incurred 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 reach the Payroll Officer by the 3rd day of each month to facilitate payment on the pay date of the 15th of each month.

Internal Audit selected a sample of fifteen Council Officer's expense claims from Payslip reports April 2008 to August 2008.

Over several years expense claim forms have been revised to easily identify such differences as Officers/Members, essential/casual travel claims and within/outside the Borough etc. However, the review identified that claimants are:

- not always using the most recent forms;

- not completing all the required data fields; and

- not using the current mileage rates when completing forms.

This has resulted in several mileage claim forms being manually adjusted by the Payroll Officer to reflect the current mileage rate for the claimant. Such action is time consuming for the officer concerned and also results in a signed claim being subsequently adjusted and paid.

Management Response

The payroll forms have not been reviewed for some time and are not currently available to download. This may have led to officers using the latest form available to them. The form does not make it mandatory for the mileage rate or any other data to be entered. Rather than return forms to officers immediately, I will have the forms reviewed and then enforced.

Accepted	**Implementation Deadline:**	**31 May 2009**

| **Recommendation 5** | **Responsibility: Deputy Borough Treasurer** | **Priority:** | **3** |

The Council should ensure that subsistence claims are consistently accompanied by supporting receipts.

| **Rationale** |

Employees are required to submit claims for expenditure incurred on Council Business at agreed and statutory rates, which are set nationally by Government. Expenses are submitted on the relevant expense claim form; and receipts must be provided to substantiate costs incurred.

A sample of fifteen Council Officer's expense claims were selected. The review identified that on two occasions the claim was not accompanied by the required receipts.

Although the Payroll Officer stated such payments will be subject to appropriate taxation and national insurance, such instances highlight potential weakness in control arrangements and a lack of consistency.

| **Management Response** |

Receipts are not always available, that is why there are statutory allowances. Any expense claim not accompanied by a receipt is subject to tax and NI. Some parking and train receipts have to be surrendered at source and if an officer is buying a sandwich lunch it is not always possible to obtain a receipt. However, the review of the payroll claim forms will incorporate this issue.

| **Accepted** | **Implementation Deadline:** | **31 May 2009** |

Recommendation 6	**Responsibility: Deputy Borough Treasurer**	**Priority:**	**3**

The Council should ensure that Officers' expense claims are initialled to confirm they have been checked for accuracy by the Payroll Officer.

Rationale

Employees are required to submit claims for expenditure incurred on Council Business at agreed and statutory rates. Expenses are submitted on the relevant expense claim form which is checked by the Payroll Officer and coded onto the payroll system.

A sample of fifteen Officers' expense claims were selected from Payslip reports April 2008 to August 2008. Internal Audit identified only two occasions where the claim had been marked by the Payroll Officer to signify that the document had been checked. However, for the remaining thirteen occasions expense claims were not annotated by the Payroll Officer as confirmation and assurance that the claims had been checked.

Management Response

I agree that expense claims should be marked off when dealt with. However, as far as accuracy is concerned, the authorising manager is signing for that. Payroll check applicable mileage rates, but should not be involved in certifying someone's journeys. Expense claims will be marked when dealt with.

Accepted	**Implementation Deadline:**	**31 March 2009**

Recommendation 7	Responsibility: Deputy Borough Treasurer	Priority:	3

The Council should consider introducing a standard proforma to document the calculation of pay for new starters.

Rationale

Where employees start or terminate their employment during the month the Payroll Officer is required to apportion the monthly pay. The calculation is documented on a non specific piece of paper, not a formal document; furthermore the document is not evidenced by the officer completing the calculation or a second officer's review.

Internal Audit selected a sample of five new starts from the 'New Starters – Employee Details' reports in 2008/09.

On four occasions Internal Audit confirmed that the correct payment had been made to the employee; however on one occasion (employee 65009) the calculation was incorrect. This was due to using the wrong number of days in the month; which resulted in an overpayment of £29.58. (In this instance a check had been performed by a second officer).

Introducing a standard calculation sheet would ensure a standard approach is adopted and assist the accuracy of calculations.

Management Response

I agree that a proforma would be useful for these calculations.

Accepted	Implementation Deadline:	31 May 2009

Recommendation 8	Responsibility: Deputy Borough Treasurer	Priority:	3

The Council should review the current versions of employee and Member claim forms available on the Council's Intranet facility.

Rationale

Testing and observation of forms not included in selected samples 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.

The availability of up to date forms specifically on the Intranet would allow version control and ensure the consistent use of standard forms.

Management Response

Agreed. I will discuss the possibilities with the IT Manager and Democratic Services Manager.

Accepted	**Implementation Deadline:**	**31 May 2009**

Recommendation 9	**Responsibility: Deputy Borough Treasurer**	**Priority:**	**3**

Management should consistently sign and date the "Employee Details – New Starters Report" as evidence of review.

Rationale

For new starters, the initial salary payment is calculated manually by the Payroll Officer. The manual calculations are entered on the data entry forms and input to the Selima system by the Accounts Officer. The Payroll Officer subsequently compares output reports against the source documents.

Internal Audit obtained the "Employee Details – New Starters' reports from May to September 2008. The review identified that the reports were signed by the Payroll Officer on two occasions. However, on three occasions the reports were neither signed nor dated.

Management Response

Payroll will be reminded of the need to sign the report to evidence their checks.

Accepted	**Implementation Deadline:**	**31 March 2009**

Previous Recommendations	**Responsibility: Deputy Borough Treasurer**

The Council should implement the outstanding recommendations from the previous audit report 07-17, dated December 2007, namely:

1. The Payroll Officer should ensure the payroll procedure file is updated to include all relevant current guidance. (Priority 3)

2. The Council should:

   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.

   (Priority 3)

Rationale

1. Internal Audit reviewed the procedure file and identified that up to date information, particularly relating to mileage rates was not on file. Although the Payroll Officer was able to produce a schedule of current rates it had not been retained in the procedures file.

2. The Council processes expense and allowance payments to Officers and Members using a variety of forms, dependent upon whether it is for journeys out of the Borough or within the Borough.

   Testing and observation of forms indicated that claimants are not always using the most recent forms and/or are not completing all the required data fields.

Management Response

1. This should be happening automatically.

2. Payroll forms need reviewing and may be available to download.

Revised Implementation Deadline	**30 April 2009**

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

Auditor: Ifor Jones, Claire Jackson and Sarah Cullen

The fieldwork was performed: October – November 2008.

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

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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
Priority 3	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 08-10
INCOME COLLECTION

Executive Summary

Introduction

The Council no longer accepts payment by cash at the Town Hall. Income is received by a number of methods including cheques and credit/debit cards. In addition, the Council have introduced new methods which include debit/credit card via a dedicated payment hotline, the Internet, Touchtone phone and Allpay. A total of 396,441 receipting transactions with a value in excess of £98 million were processed during the financial year 2007/08.

Audit Objectives

An audit of this system forms part of the agreed 2008/09 programme. The audit objectives were to evaluate and test the internal controls for the collection and receipt of income within the Council. The scope and objectives of the audit were discussed and agreed in advance with Sue Roberts, Deputy Borough Treasurer.

Key Points
Substantial Assurance
One Important Issue
Three Minor Issues
One Previous recommendation

Audit work included 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 relates to ensuring the practice of accepting cheque payments at First Point no longer continues.

In addition, we have made three Priority 3 recommendations concerning:

- reviewing the web form used for internet payments;
- ensuring paying in slips are signed by two officers; and
- referring all completed receipt books to Internal Audit for review.

Internal Audit reviewed the two outstanding agreed recommendations made in Audit Report 06-10, dated November 2006, one recommendation has been implemented and one recommendation has been overtaken by events.

In addition, Internal Audit reviewed the two outstanding recommendations made in Audit Report 05-09, dated March 2006, one recommendation has been overtaken by events and one recommendation remains outstanding, which relates to recording the Security Plus sealed bag reference on the paying in slip.

Management Response

We have received a constructive management response from Sue Roberts, Deputy Borough Treasurer, 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: Deputy Borough Treasurer	Priority:	2

The Council should ensure the practice of accepting cheque payments at First Point no longer continues.

Rationale

Internal Audit were made aware that there have been several instances of the floorwalker at First Point receiving cheques for Council Tax, NNDR, Rents etc. A receipt appears to have been issued for these payments; however, not from official Council stationery.

Internal Audit confirmed with the "Service Team Manager for Customer Services", that there had been occasions where cheques were accepted at First Point. In these instances, a receipt was issued from a carbonated book usually used for receipting benefit documents. It was confirmed that the related cheques were passed to the Liberata CRM team, and held in the cash tin until the 'cash up' process was performed at the end of the day.

This potential weakness reduces the overall control arrangements for the Council's financial and accounting transactions.

Management Response

I have assurance from the Customer Services Manager that this practice has ceased. Customers are able to post cheques into the First Point external post box. These are then accepted through our post banking process.

Accepted		Implementation Deadline:	Immediate

Recommendation 2	**Responsibility: Deputy Borough Treasurer**	**Priority:**	**3**

The Council should consider revising the current web form used for making internet payments.

Rationale

Payments can be made via the Council's website for Council Tax, NNDR, Sundry Debtor Invoices, Parking fines, Housing Rents and Mortgages. Internal Audit reviewed the internet payment process, including the online forms completed in order to make a payment.

The web form contains the following fields: Account number, Account name, Address, Postcode and Amount. The field 'Account number' is an appropriate title for payments for Council Tax and NNDR, however Sundry Debtor invoices and Penalty Charge Notices for example, do not state an account number on the invoice/notice.

Revising the web form to state 'Reference number' or having separate forms for different payments to state 'invoice number', 'Penalty Charge Notice number' etc, would reduce the likelihood of confusion for members of the public.

In addition, the payment screen of the web form contains a field entitled 'Issue number' however; it does not state that this only applies to certain cards.

Management Response

There is a cost to create individual web pages for payments and personalising the content. However, the car parking page has generated a number of queries and complaints so I have decided to personalise the pages. This work will be undertaken by the hosted solutions provider, so it cannot be done immediately.

Accepted		**Implementation Deadline:**	**30 April 2009**

Recommendation 3	Responsibility: Deputy Borough Treasurer	Priority:	3

The Council should ensure that paying in slips are signed by two officers.

Rationale

The Council's General Procedures for Receiving Income state:

"All bankings should be checked by an independent officer; and preparer and checker should both initial the paying in slip."

Internal Audit selected a random sample of 50 "pay ins" across a range of Council Departments and confirmed that of the 48 applicable occasions, the paying in slip had not been signed by two officers on three occasions. These related to the Kennels and the Tourist Information Centre.

However, it was accepted that due to operational issues (i.e. only one member of staff on site) at the Kennels, the paying in slip would contain only one signature.

This potential weakness may not provide adequate assurance over the performance of a key internal control.

Management Response

The appropriate managers will be reminded of the procedures for receiving income. These procedures are on the Intranet, so a link will be emailed with a reminder.

Accepted		Implementation Deadline:	Immediate

Recommendation 4	**Responsibility: Deputy Borough Treasurer**	**Priority:**	**3**

The Council should ensure that completed receipt books are provided to Internal Audit for review.

Rationale

Receipt books are used to record each applicable transaction; these are classed as controlled stationery, and as such are issued only to authorised officers. Since July 1997, Internal Audit have performed compliance testing on all completed Council Payment Receipt Books.

Internal Audit confirmed that during 2008, the Planning/Building Control Department receipt books have not been provided to Internal Audit for review; it was identified that two receipt books have been completed during this period.

Management Response

Planning/Building Control have had the facility to accept card payments and cheques for 9 months now. After speaking to the service manager it appears that the department were unaware that completed receipt books needed to be returned. The missed books have been sent in and future books will follow.

Accepted		**Implementation Deadline:**	**Immediate**

Previous Recommendation	**Responsibility: Deputy Borough Treasurer**

The Council should implement the agreed outstanding recommendation from Audit Report 05-09, dated March 2006, namely:

The Council should ensure that the Security Plus sealed bag reference is recorded on each bank paying in slip. (Priority 3)

Rationale

Internal Audit selected a sample of paying in slips completed since January 2008 and reviewed 20 Planning Department, 20 CRM and 10 other departmental pay ins.

It was identified that the sealed bag reference had not been recorded on the paying in slip on any occasion by CRM; and on one occasion for each of the following departments, Planning, Cemetery and Kennels. However, Internal Audit could confirm the sealed bag reference number using the receipt book from Administration Services on all occasions.

Management Response

I will incorporate the missed bag numbers in the email from recommendation 3 about the general procedures for receiving income.

Revised Implementation Deadline:	**Immediate**

APPENDIX 1

AUDIT FRAMEWORK

Coverage

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

- CRM/Planning Counters;
- Internet Payments;
- Allpay; and
- review/reconciliation.

Methodology

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

- 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 Williams and Sarah Cullen

The fieldwork was performed: September 2008

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

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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.
Priority 3	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 REPORT 08-29
INSURANCE

Executive Summary

Introduction

The Council's Insurance function is based within the Borough Treasurer's Department and is the responsibility of the Insurance Officer. The Council's main insurers are Zurich Municipal and brokers JLT, who cover a number of policies including employer's liability, public liability, all risks and terrorism. Annual premium costs for 2007/2008 were approximately £320,000.

Audit Objectives

An audit of this system forms part of the agreed 2008/09 programme. The audit objectives were to evaluate and test the internal controls over the system for insurance. The scope and objectives of the audit were discussed and agreed in advance with Lesley Smyth, Service 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
No major weaknesses identified.
Four minor weaknesses identified.

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 four Priority 3 recommendations, which concern:

- producing documented procedures for all aspects of the Insurance function;
- considering the introduction of a signed proforma, from each Cost Centre Manager at renewal, to confirm the cover required within each Council department;
- ensuring that copies of insurance cover are obtained for all privately insured leasehold properties; and
- obtaining and recording details of all insurance claims within the Council, in order to comply with insurance requirements.

Management Response

We have received a constructive management response from Sue Roberts, Deputy Borough Treasurer, 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: Deputy Borough Treasurer**	**Priority**	**3**

The Council should ensure that documented procedures for all aspects of the Insurance function are produced.

Rationale

Through discussion with the Insurance Officer, Internal Audit identified that up to date documented procedures for the insurance function have not been produced.

The introduction of formal procedural guidance would support the insurance process; provide a point of reference during staff absence; and aid consistency and compliance.

Management Response

I agree that up-to-date procedures are essential to be of any use. The insurance procedures will be updated as soon as possible.

Accepted	**Implementation Deadline:**	**Immediate**

Recommendation 2	Responsibility: Deputy Borough Treasurer	Priority	3

The Council should consider obtaining a signed schedule, from each Cost Centre Manager at renewal, to confirm the cover required within each Council department.

Rationale

As part of the annual renewal process departmental managers are issued with details of insurance cover for their department; the managers are requested to confirm the requirements are sufficient, or provide updated details where necessary. However, formal documentation is not retained to confirm this process has occurred and has been fully completed.

The introduction of a schedule, which the Cost Centre Managers would sign to confirm their acceptance of the level of insurance cover, would provide management with greater assurance over the adequacy of internal control.

Management Response

I agree that insurance cover should be confirmed by Managers and evidence retained on the renewals file. This will be done on the next renewal.

Accepted	**Implementation Deadline:**	**31 August 2009**

Recommendation 3	Responsibility: Deputy Borough Treasurer	Priority	3

The Council should ensure that details of annual insurance cover are obtained for all privately insured leasehold properties.

Rationale

Internal Audit were informed that leaseholders should insure the property with the Council, however, there are a handful of historical leaseholders who provide their own property insurance. Where the leaseholder provides their own property insurance, the Recovery Officer writes to the leaseholder on an annual basis requesting a copy of the insurance policy; the letter states that if the leaseholder does not provide evidence of insurance they will be included on the Council's block policy.

However, the review identified for the current year, copies of private policies have not been requested and neither have the properties been included on the Council's block policy.

This potential weakness may not provide the Council with adequate assurance, particularly in relation to any issues regarding claims and associated liability.

Management Response

I agree that the Council must be satisfied that adequate insurance is in place for all Leasehold flats. This will be done at every renewal.

Every private policy holder has now been written to and given two weeks to provide proof of insurance. The letters are held on file and the occupants have started to bring in their documents.

Accepted		Implementation Deadline:	Immediate

Recommendation 4	**Responsibility: Deputy Borough Treasurer**	**Priority**	**3**

The Council should ensure that details of all insurance claims within the Council are recorded in order to comply with insurance requirements.

Rationale

We were informed by the Service Accountant that the claim reporting procedure will need to change next year, due to new requirements from Zurich Municipal.

Previously, only claims paid by Zurich Municipal were recorded on a specific spreadsheet by the Accounts Officer and these figures reported to the insurers. Where the Council paid the claim (as it was below the policy excess) this was not included in the figures. All claims will now need to be recorded on the spreadsheet and included in the figures reported to Zurich Municipal.

However, due to this new requirement, the Council's Housing Department will need to provide to the Insurance Officer, details of all Housing related claims not claimed on the insurance, in order that these can be included within the reported figures. These details are currently not provided.

Management Response

My staff will liaise with the Housing Department to obtain all claim information. This is a new requirement and arrangements are in hand.

Accepted		**Implementation Deadline:**	**30 April 2009**

APPENDIX 1

AUDIT FRAMEWORK

Coverage

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

- insurance cover;
- renewal procedures;
- claims procedures; and
- central recharges.

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 Williams and Sarah Cullen

The fieldwork was performed: August 2008

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

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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
Priority 3	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 07-21
PROCUREMENT

Executive Summary

Introduction

The Council's procurement process is controlled through the Contract Standing Orders, Financial Regulations, Procurement Policy and 'guidelines for obtaining quotations'. The Council's Procurement Policy, dated June 2004, states the definition of procurement as "the procurement of all goods and services (including from in house employment) required to meet the strategic aims of the Council". The four strategic aims of the Council are:

- Support sustainable economic re-generation
- Create an enhanced quality of life for local residents
- Fight poverty and unemployment
- Provide quality public services

Audit Objectives

An audit of this system forms part of the agreed 2007/08 programme (deferred to 2008/09). The audit objectives were to evaluate the risks and controls relating to the procurement function within the Council. The scope and objectives of the audit were discussed and agreed in advance with Susan Roberts, Deputy Borough Treasurer and Richard Hennah, Standards and Facilities Manager.

Key Points
Restricted Assurance
1 major issue
12 important issues
2 minor issues

Audit work included a control evaluation of the system design; testing of the operation of key controls, limited compliance testing and discussions with relevant Council officers. Details of the audit methodology are provided in Appendix 1.

Audit Conclusion –*Restricted Assurance*

As a result of the audit we have concluded that there are weaknesses, which may put the system objectives at risk.

We have made one Priority 1 recommendation, which relates to developing detailed procedures regarding the procurement process.

In addition, we have made 12 Priority 2 recommendations which relate to:

- the review and updating of the Council's Procurement Policy;

- amending Contract Standing Orders with regard to the 'Chest' e-portal;

- the approval of the Council's Sustainability Policy;

- reviewing the overall procurement process;

- amending the Council's Contract Standing Orders with regards to tenders through EPiC;

- consolidating the number of service/maintenance contractors used throughout the Authorities buildings;

- ensuring engaged contractors are made aware of anti-fraud and corruption guidance;

- linking the procurement process and the risk management process;

- communicating procurement policies and procedures to all staff;

- internal test checks for negotiated tenders;

- reference to efficiency savings and value for money within the Procurement Policy; and

- performing a 'training needs analysis' within the Council.

We have also made two Priority 3 recommendations relating to considering:

- referencing in the Council's Record Retention Policy procurement documentation retention requirements and FOI considerations; and

- nominating a Procurement/Efficiency Member Champion.

Management Response

We have received a constructive management response from the Deputy Borough Treasurer, Susan Roberts and the Standards and Facilities Manager, Richard Hennah, 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: Director of Corporate Services**	**Priority:**	**1**

The Council should develop, as a matter of urgency, detailed procedures with regard to the procurement process, ensuring these are approved and formally issued throughout the authority.

Rationale

The Internal Audit review identified that detailed procedures covering operational aspects of the procurement process have not been produced. We were informed by the Deputy Borough Treasurer that the Council are aiming to implement the introduction of a fully integrated purchasing system with the Oracle financial system from 1st April 2009; therefore detailed procedures would be introduced from April 2009 onwards.

Management Response

The Deputy Borough Treasurer is upgrading the Council's Financial Information System and incorporating a new module called iProcurement. This will be used to procure most of the Council's supplies and services. There will be procedures and training of relevant staff.

However, Procurement is bigger than supplies and services and includes contracting, tendering and sustainability issues. iProcurement will not address all of these. The Procurement Policy will.

Accepted		**Implementation Deadline:**	**30 April 2009**

Recommendation 2	Responsibility: Standards & Facilities Manager	Priority:	2

The Council should review and update as necessary its Procurement Policy; specifically in line with the Internal Audit review; and also co-ordinated with the Financial Regulations and Contract Standing Orders.

Rationale

The Council has a Corporate Procurement Policy, dated June 2004. The policy is available to all staff on the Council's intranet site.

Internal Audit were informed that the Procurement Policy has been revised since this date; however the revised version has not been updated onto the Council's intranet site and communicated to all staff.

In addition, it is acknowledged that the unpublished policy will also need updating to reflect changes within the procurement process. We were informed that a review of the Procurement Policy has been included on the 2007/08 Annual Governance – Action Plan.

Management Response

Accepted.

Accepted		Implementation Deadline:	31 March 2009

Recommendation 3	Responsibility: Director of Corporate Services and Standards & Facilities Manager	Priority:	2

The Council should ensure that the Contract Standing Orders are amended; specifically with regard to the possible implementation of 'The Chest' e-portal, potentially considering the need for annual review; and co-ordinated with the Financial Regulations.

Rationale

The procurement of goods and services is currently in accordance with the Council's Contract Standing Orders; however the Council have been offered the opportunity via the Effective Procurement in Cumbria (EPiC) group to have a one years free subscription to 'The Chest' e-portal.

'The Chest' e-portal is an electronic quotations and tendering system and has been created with funding from the North West Centre of Excellence, and is a collaboration of the seven District Councils and Cumbria County Council.

Currently the Council's Contract Standing Orders do not reflect the above developments.

Management Response

Accepted.

Accepted	Implementation Deadline:	31 March 2009

Recommendation 4	**Responsibility: Standards & Facilities Manager**	**Priority:**	**2**

The Council should ensure that its Sustainability Policy is formally approved by Members.

Rationale

The Council initially produced a 'Green Purchasing Policy', however this document was only ever in draft format. The Standards and Facilities Manager has now produced a 'Sustainability Policy'. Internal Audit were informed that the Policy is currently in draft format and is to be presented to Executive Committee by the Director of Regeneration and Community Services.

The Policy has been developed to take into account the North West Regional Improvement and Efficiency Partnerships Sustainable Procurement Policy, which has been developed by the North West Centre of Excellence. We were informed that formalising the corporate sustainability strategy has been included on the 2007/08 Annual Governance – Action Plan.

Management Response

Accepted.

Accepted	**Implementation Deadline:**	**31 December 2008**

Recommendation 5	Responsibility: Director of Corporate Services and Standards & Facilities Manager	Priority:	2

The Council should consider whether the overall procurement function should be subject to review, specifically identifying a dedicated officer, and paying particular attention to the value for money achieved by procurement developments and processes introduced.

Rationale

The procurement function/process should be designed to achieve efficiency and value for money. Efficiency maybe achieved through releasing resources via procurement improvements/ developments.

Internal Audit were informed that the officer with overall responsibility for Procurement is the Director of Corporate Services. However, the Council does not have a dedicated resource in terms of officer time. Without a review of the procurement function, from an efficiency and value for money perspective, the Council does not have the assurance that the investments made in the procurement function have been successful; or what changes/developments should occur.

Management Response

Accepted.

Accepted		Implementation Deadline:	31 March 2009

Recommendation 6	Responsibility: Director of Corporate Services and Standards & Facilities Manager	Priority:	2

The Council should consider amending its Contract Standing Orders to potentially include:

- procedures for negotiated tenders;
- establishing authority to accept tenders on behalf of the Council with regard to those tendered/evaluated through EPiC.

Rationale

EPiC (Effective Procurement in Cumbria) began officially in April 2007 as a formal shared service for procurement in Cumbria. 'The Chest' e-tendering system was procured by Cumbria County Council and the North West Centre of Excellence. EPiC tendering is performed on-line via The Chest.

The review identified that the Council's Standing Orders do not provide guidance regarding negotiated tenders. However, we were informed that there have been occasions where a contract has been awarded on this basis.

In addition, we were informed that policy/guidance is not available with regard to delegated authority to accept tenders on behalf of the Council, which have been tendered/evaluated through EPiC.

Management Response

Accepted.

Accepted	Implementation Deadline:	31 March 2009

Recommendation 7	Responsibility: Standards & Facilities Manager	Priority:	2

The Council should consider consolidating the number of service/maintenance contractors used throughout the Authorities buildings.

Rationale

As part of a review of corporate health and safety, Internal Audit performed unannounced visits on a sample of five Council premises to establish the procedures in place for the servicing and maintenance of fire extinguishing equipment. On each occasion the servicing of fire extinguishers has been performed by FTS. However, Internal Audit identified (via the contract payments audit) that the Council do not appear to have a specific Council wide contract with FTS for the servicing and maintenance of fire extinguishing equipment. The Council, therefore, may not be achieving value for money on the procurement of this service.

Although this is one specific example identified, it is possible that there maybe similar agreements in place for other areas of maintenance work etc.

Management Response

Accepted.

Accepted	Implementation Deadline:	31 March 2009

Recommendation 8	Responsibility: Standards & Facilities Manager	Priority:	2
The Council should ensure all 'engaged' Contractors are made aware of and acknowledge its Anti Fraud & Corruption guidance.			
Rationale			
The Council have taken steps to demonstrate proactive and responsive procedures for dealing with anti fraud and corruption measures. However, there are a significant number of contractors utilised by the Council throughout any one year; and to ensure awareness and responsibility regarding anti fraud and corruption is communicated effectively, a simple communication or inclusion with contractual documentation of this subject matter would be advantageous.			
Management Response			
Accepted.			
Accepted	**Implementation Deadline:**	**31 March 2009**	

Recommendation 9	Responsibility: Standards & Facilities Manager	Priority :	2

The Council should consider formally linking the procurement process to its risk management process.

Rationale

In order to facilitate and integrate the decision making processes within the Council, consideration should be given to linking the risk management process to the procurement process. For example, corporate risks should exist in relation to achieving value for money; and this risk should be actioned through the procurement process.

Management Response

Accepted.

Accepted		Implementation Deadline:	31 March 2009

Recommendation 10	Responsibility: Standards & Facilities Manager	Priority :	2

The Council should consider the need to specifically communicate procurement policies and procedures to all staff with a view to ensuring staff 'buy in' to the philosophy.

Rationale

As the majority of Council policies and procedures have a requirement for annual review, there is a need to ensure all officers are aware of up to date documentation. This could be achieved through an electronic acknowledgement, linked to Council network user access.

Furthermore, management should ensure, through preventative controls or through analysis of expenditure, that officers are complying with required procedure. For example, procuring goods through non approved sources.

Management Response

Accepted.

Accepted	Implementation Deadline:	31 March 2009

Recommendation 11	Responsibility: Director of Corporate Services and Standards & Facilities Manager	Priority :	2

The Council should give consideration to the need for internal test checks for negotiated tenders.

Rationale

As procurement initiatives have developed within the public sector, one area more widely used for significant or technical contracts, is "negotiated tenders", removing the process of sealed, fixed tenders.

However, clearly within a negotiated process, certain historical internal controls are removed. Therefore, providing greater assurance through test checking the actual negotiated process, may be beneficial; and act as an enhancement to internal control arrangements.

Management Response

Accepted.

Accepted		Implementation Deadline:	31 March 2009

Recommendation 12	Responsibility: Standards & Facilities Manager	Priority :	2

The Council should consider including within its Procurement Policy clear reference to efficiency and value for money arrangements.

Rationale

The Council has a Corporate Procurement Policy, dated June 2004. The policy is available to all staff on the Council's intranet site.

Internal Audit were informed that the Procurement Policy has been revised since this date; although the revised version has not been updated onto the Council's intranet site.

As part of the local government efficiency agenda, during the 2004 Spending Review period (2005-06 to 2007-08), all councils in England have been required to submit Annual Efficiency Statements to Communities and Local Government. These submissions were formed in two parts; the Forward and Backward look statements. These statements are the last Annual Efficiency Statements to be submitted by councils. During the 2007 Comprehensive Spending Review period (2008-09 to 2010-11) councils will instead report through National Indicator 179 Value for money – total net value of on-going cash-releasing value for money gains that have impacted since the start of the 2008-9 financial year.

The revised Procurement Policy should make clear reference to efficiency savings and value for money.

Management Response

Accepted.

Accepted	Implementation Deadline:	31 March 2009

Recommendation 13	**Responsibility: Deputy Borough Treasurer and Standards & Facilities Manager**	**Priority :**	**2**

Consideration should be given to performing a "training needs analysis" within the Council; specifically with regard to the procurement process and associated responsibility including developing effective usage of the Marketplace.

Rationale

Since April 2007 the Council have purchased consumables using the 'Marketplace'. (The Marketplace is a web based catalogue of approved suppliers, who have been benchmarked centrally within the Effective Procurement in Cumbria (EPiC) framework).

Internal Audit were informed that basic training in utilisation of the 'Marketplace' was initially provided to staff; however it was considered that further training in the efficient and effective usage of the Marketplace was required.

Additionally, awareness and knowledge of procurement initiatives overall, including training requirements should be considered.

Management Response

The Marketplace training was carried out by the Standards and Facilities Manager on behalf of the Corporate Services directorate. The Borough Treasurer's Department has no current involvement in training Marketplace end users. However, once iProcurement is in place the Marketplace will be embedded into the Finance System and will no longer be isolated. The iProcurement training will cover shopping and purchasing supplies and services and remove the need for separate Marketplace training that the Standards and Facilities Manager currently provides.

Accepted	**Implementation Deadline:**	**30 April 2009**

Recommendation 14	Responsibility: Director of Corporate Services and Standards & Facilities Manager	Priority :	3

Consideration should be given to making specific reference within the Council's Record Retention Policy to procurement documentation retention requirements and, where appropriate, FOI considerations.

Rationale

Records management is a key area of "Modernising Government" and electronic records management underpins electronic government services. The effective management of records depends just as much on their efficient disposal as it does on their long term preservation. Due to these factors Local Authorities are required to produce their own document retention policy. In addition, Freedom of Information Requirements relate closely to retention requirements.

The procurement process may involve significant documentation and clearly its retention may be a major issue. In conjunction with this, procurement involves Council and third party financial information which will be placed in the public arena; therefore requiring FOI considerations.

To ensure these factors are considered throughout the procurement process, clear reference should be contained within the Record Retention Policy including sources of further guidance.

Management Response

Accepted.

Accepted	Implementation Deadline:	31 March 2009

Recommendation 15	**Responsibility: Director of Corporate Services and Standards & Facilities Manager**	**Priority :**	**3**

The Council should consider nominating a Procurement/Efficiency Member Champion, or Member with specific responsibility.

Rationale

Through discussion Internal Audit were informed that at present a designated Member Champion for procurement does not exist, in addition a Member Champion for annual efficiency savings does not exist.   Nominating a suitable Member with specific responsibility would assist in providing direction to these areas; and demonstrate an enhanced reporting criteria.

Management Response

Accepted.

Accepted	**Implementation Deadline:**	**31 March 2009**

AUDIT FRAMEWORK

Coverage

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

- compliance with Corporate Procurement Strategy/Policy;
- provision of e-procurement;
- monitoring and reporting processes; and
- negotiated tendering processes.

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; and
- report findings, with practical recommendations for improvement where appropriate.

Performance

Auditors: Claire Jackson and Keith Jackson

The fieldwork was performed: July - October 2008

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

<div align="right">**APPENDIX 2**</div>

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	Control is weak, causing the system to be vulnerable to error or abuse.	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

Audit Recommendations and Follow-up

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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
Priority 3	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 44
CONVERSION OF ACCOMODATION AND REFURBISHMENT OF ELEVATIONS – MARKET 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 Audit will select a sample of contracts for higher scrutiny and reconciliation with the Final Account.

The contract for the refurbishment of the first floor offices and ground floor retail units and reconstruction of the Market Hall entrances together, with associated siteworks and drainage was selected for audit due to the high value of the works.

The work was valued at pre-tender stage at £434,000 by Johnstons Chartered Quantity Surveyors on behalf of the Council. Four contractors submitted tenders; the lowest tender valued at £429,815 was accepted. Negotiations with the contractor and a revision in the work to be delivered reduced the contract sum to £394,634.18.

It should be noted that Internal Audit were unable to fully complete the review of the contract final account due to the unavailability of prime records; despite several requests.

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
One major issue
Eight important issues identified.

Audit Conclusion – *Restricted Assurance*

As a result of the audit we have concluded that while there are potential weaknesses, particularly regarding the management of the project, which put some of the system objectives at risk. We have made one Priority 1 recommendation, which concerns adequate control of consultants acting for the Council.

We have also made eight Priority 2 recommendations, which concern:

- ensuring consultants are aware of and comply with the Council's Contract Standing Orders;

- the transparent appointment of contractors and retention of documentation;

- the formal acceptance and opening of tender documents in compliance with the Council's Contract Standing Orders;

- notifying all contractors submitting tenders, in writing, of the details of the award made;

- contract document amendments and alterations;

- minimum insurance cover setting;

- monitoring the renewal of insurance cover; and

- ensuring any liquidated and ascertained damages due to the Council are collected from the contractor.

Management Response

We have received a constructive management response from Phil Huck, Director of Regeneration and Community Services, 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: Director of Regeneration and Community Services/Projects and Property Manager	Priority:	1

The Council should ensure that responsible officers and consultants managing projects on its behalf maintain complete Final Account and other prime records; and can provide such information on a timely basis.

Rationale

Currently the management of a number of Council contracts is being outsourced to consultant professionals. Unless a stated protocol is both in place and understood by the Council Officers and the Consultant, there is a risk of certain procedures either not being performed by either party or required prime documentation not being maintained adequately.

Council Officers should be reminded that although the contract management has been delegated to consultants, the responsibility remains to ensure that the management and file maintenance has been performed to the required standard.

Specifically, a Final Account should be submitted by the contractor following the issue of the final valuation by the Architect. The balance due is paid to the contractor with a retention of 2.5% until the end of the defects period. The Final Account should document any variations to the contract sum and confirm the omission of any agreed Provisional Sums and Contingencies.

However, Internal Audit had difficulties in obtaining documents including the Final Account; and evidence of certain procedures to fully complete the review. Requests were made to the responsible officer and relevant consultants for the required information, however, this has not fully materialised.

In addition to this adversely affecting the audit review, in terms of providing the required opinion and accuracy of financial arrangements; the Council do not have sufficient assurance over the project management and compliance arrangements.

Management Response

Accepted.

Accepted		Implementation Deadline:	Immediate

Recommendation 2	Responsibility: Director of Regeneration and Community Services	Priority:	2
Consultants should be formally reminded of their requirement to comply with the Council's Contract Standing Orders, when awarding consultancy and project management responsibilities.			
Rationale			
The Council's Contract Standing Orders (paragraph 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." Internal Audit were unable to confirm if consultants had been made aware of the Council's Contract Standing Orders and the Financial Regulations.			
Management Response			
Work has been commenced on amalgamating professional services contracts with Council Contract Standing Orders and Financial Regulations to ensure the Council's appointed professional advisors are aware of the need for compliance. This response is common across a number of recently completed contract audits. The timescale has slipped due to sickness absence of key staff.			
Accepted		**Implementation Deadline:**	**31 December 2008**

Recommendation 3	**Responsibility: Director of Regeneration and Community Services**	**Priority:**	**2**

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.

Rationale

In relation to the Conversion of Accommodation and Refurbishment of Elevations works at the Market Hall, a number of external consultants were used; namely:

Consultant	Service/Contract
Craig and Green Architects	Lead Consultant
Johnstons Chartered Quantity Surveyors	Quantity Surveyor
Owen Williams Consultants Ltd	Consulting Engineers

During the review Internal Audit were unable to verify the process used or the decision taken to appoint the consultancies. 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."

This weakness may not provide adequate assurance over the internal control arrangements.

Management Response

Accepted

Accepted	Implementation Deadline:	Immediate

Recommendation 4	Responsibility: Director of Regeneration and Community Services	Priority:	2

The Council should ensure that each member of the tender opening panel sign both the Tender Opening Register and the Tender Documents to confirm both completeness and their attendance.

Rationale

Invitations to tender include a date and a time for their return and a pre-addressed envelope for the tender document. These procedures are in place to allow each tenderer an equal opportunity to win the work and ensure tender sums cannot be influenced by tenders already received by the Council. Following the date of return, a tender opening panel is assembled; the received envelopes are collected from their place of secure storage and each envelope is opened in turn, with the submitted tender sum recorded in the Tender Opening Register. The Panel should ensure that each tender received is recorded in the register and that it has been received prior to the closing date/time. Each panel member should sign the register and also each tender document recorded in the register. Signing the tender document is a control to prevent alterations after the tenders have been opened.

Internal Audit obtained each of the four tender documents received for the Market Hall Project in order to ascertain whether all members of the panel had signed in accordance with procedure. The Tender Register had been signed by the three members of the opening panel; the four tender documents had been signed by the Leader of the Council. However, there was no evidence that the remaining panel members had added their signature to each of the tenders as required under the Council's Contract Standing Orders section 11.3 which states that all persons present "shall immediately sign against the relevant particulars in the register and shall also sign the tender as evidence of such tenders having been opened by them or in their presence."

Management Response

Members will be reminded of the need to sign the Tender Documents in addition to the Tender Opening Register.

Accepted	Implementation Deadline:	Immediate

Recommendation 5	Responsibility: Director of Regeneration and Community Services	Priority:	2

Contractors submitting a tender should be formally notified in writing of the Council's decision in awarding the contract.

Rationale

Internal Audit could not locate formal notifications relating to the appointment of the successful contractor. The issue of formal notifications of the successful contract award to all tenderers adds transparency to the exercise and also assists in future contract negotiations.

The Chartered Institute of Public Finance & Accountancy (CIPFA) has, in association with the Local Government Taskforce, 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."

Management Response

Although this recommendation has been accepted, I do not consider a formal debriefing for each unsuccessful tenderer to be necessary.

Accepted	Implementation Deadline:	Immediate

Recommendation 6	Responsibility: Director of Regeneration and Community Services	Priority:	2
Alteration or amendment to a contract document should be initialled by both parties to signify agreement to such changes.			
Rationale			
A review of the Contract Document for the Conversion of Accommodation and Refurbishment of Elevations at the Market Hall identified amendments which had not been initialled/confirmed by representatives of the contractor and the employer. The amendments relate to deletions in the Recitals and the Contract Particulars sections of the Contract Document. Unless amendments are initialled/confirmed formally agreeing to changes; the Council may not be able to rely on the document in the event of any potential dispute.			
Management Response			

Accepted.		
Accepted	**Implementation Deadline:**	**Immediate**

Recommendation 7	**Responsibility: Director of Regeneration and Community Services**	**Priority:**	**2**

The minimum amount of Insurance Cover to be held by a contractor should be made known to consultants drawing up the associated Specification and Contract Document.

Rationale

A review of the Contract Document for the Conversion of Accommodation and Refurbishment of Elevations at the Market Hall, confirmed that contractors are required to have insurance cover in place in the event of injury to persons or property. The amount stated for any one occurrence or series of occurrences arising out of one event should be "not less than £1,000,000". All other contracts have required a minimum of £5,000,000. The Council's Financial Regulations, paragraph 17.6 requires Heads of Service to consult with the Borough Treasurer to determine the minimum level of insurance.

Internal Audit were unable to obtain any evidence of such determination being agreed prior to the setting of the insurance value in the contract document; this potentially places the Council at greater risk in the event of an incident.

Management Response

Accepted.		
Accepted	**Implementation Deadline:**	**Immediate**

Recommendation 8	**Responsibility: Director of Regeneration and Community Services**	**Priority:**	**2**
The Council should ensure that the contractor's and consultant's Insurance details are provided and forwarded to the Borough Treasurer's or Legal Services Department for safe keeping and monitoring within the contract period.			
Rationale			
The Instructions to Tenderers requires the contractor for the Market Hall project to provide the Council with details of their insurance cover. However, Internal Audit were unable to confirm the receipt and the current location of the required insurance documents. Unless the Council can confirm that contractors have appropriate insurance cover throughout the term of the contract, there is an increased risk of financial loss in the event of an incident or accident.			

Management Response		
Accepted.		
Accepted	**Implementation Deadline:**	**Immediate**

Recommendation 9	Responsibility: Director of Regeneration and Community Services	Priority:	2

The Council should pursue any liquidated damages, resulting from the unsupported delay in completion of the works by the contractor.

Rationale

Where contract works are not completed to agreed timescales, provision is made within contractual arrangements for liquidated and ascertained damages to be claimed at agreed rates.

The Market Hall Project suffered a delay, of over four weeks, which was not supported or justified to the Council.

It is understood that liquidated damages would be calculated based on the following information:

The Certificate of Practical Completion was issued on 29th November 2006 confirming the date of completion as 20th October 2006. The contract date for completion is 17th September 2006. The period liable for liquidated and ascertained damages therefore extends from the 18th September 2006 to 20th October 2006. This period is not supported by a Notification of Revision of Completion Date and equates to four weeks and five days, which should result in £2,357.14 being recovered from the contractor. This calculation is based on contract liquidated damages of £500 per week.

Management Response

I have no information to support a claim for liquidated or ascertained damages on this contract. I agree they should be pursued where relevant.

Accepted		Implementation Deadline:	Immediate

<div align="right">**APPENDIX 1**</div>

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

Auditor: Ifor Jones.

The fieldwork was performed: January to August 2008

<div align="right">**APPENDIX 2**</div>

CONTRACT PARTICULARS

Contract Title:	Conversion of Accommodation and Refurbishment of Elevations – Market Hall, Barrow in Furness.
Contract Form:	JCT Minor Works Building Contract.
Contractor:	Leck Construction Ltd
Architect:	Craig and Green Architects
Quantity Surveyor:	Johnstons Chartered Quantity Surveyors
Contract Sum:	£394,634.18
Date for Possession:	6th March 2006
Date for Completion:	17th September 2006
Date of Practical Completion:	20th October 2006
Delay in Completion:	
Extension of Time Granted:	
Liquidated and Ascertained Damages provision/paid/received:	Provision: £500.00 per week.
Minimum Insurance Cover	£1,000,000
Minimum Bond	£ N/A
Retention Amount	5% (2.5%)
Submitted Final Account Sum:	Not presented for audit
Audited Final Account Sum:	As above
Percentage increase / Submitted Final Account against Contract Sum.	Not Established

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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
Priority 3	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 45
NEW ACCESS ROAD FOR FUTURE DEVELOPMENTS, FLASS LANE.

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 Audit will select a sample of contracts for higher scrutiny and reconciliation with the Final Account.

The contract for the provision of a new access road for future developments at Flass Lane, Barrow was selected for audit due to the increase in the tender sum.

The work was valued at the pre-tender stage at £209,040.00 by Capita Symonds on behalf of the Council. The tendering process required the six selected contractors to submit a tender sum (Fixed Price) together with a completed assessment sheet designed to identify each company's tradesmen pay scales to establish overheads and fee percentages for compensation events. The tender sums were adjusted to take account of additional expected works. The adjustment to the tender sums or the subsequent appraisal did not alter the original ranking; Thomas Armstrong were invited to complete the works at a contract sum of £186,500.00. The contract sum was up-lifted by 5% in response to the contractor's request due to the Council's delay in granting possession of the site.

The value of the work completed to April 2008 has been certified at £237,748.64 which amounts to an increase of £41,923.65 (21.41%) above the revised Contract Sum of £195,825.00.

A Final Account Statement provided to Internal Audit records an amount of £240,548.64, which if supported by the Architects Final Valuation Certificate would increase the Contract Sum by 22.8%.

Key Points
Restricted Assurance
Nine important issues

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 – *Restricted Assurance*

As a result of the audit we have concluded that there are potential weaknesses, particularly regarding the management of the project, which put some of the system objectives at risk

We have made nine Priority 2 recommendations, which concern:

- retaining documentation relating to the appointment of consultants;

- ensuring contractors are selected for tendering from the Council's Approved List;

- each member of the tender opening panel sign both the Tender Opening Register and the Tender Documents;

- the Council take sufficient security for every contract estimated to exceed £150,000;

- return incomplete Compensation Event forms to the person responsible for issue;

- investigate the discrepancies identified in the Compensation Event forms;

- ensure that payments due to contractors are paid within the contract timescales;

- ensure that appropriate delegation is given to officers required to authorise contractor payments; and

- issue either an Extension of Time certificate or revise the contract date for completion

Management Response

We have received a constructive management response from Phil Huck, Director of Regeneration and Community Services, 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: Director of Regeneration & Community Services**	**Priority:**	**2**

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.

Rationale

Capita Symonds have been delegated to provide project management on behalf of the Council.

During the review Internal Audit were unable to verify the process used or the decision taken to appoint Capita Symonds as consultants for project management. 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."

This weakness may not provide adequate assurance over the internal control arrangements.

Management Response

I understand Capita were appointed at the request of the Highways Authority as the road, in part, was to be adopted.

Accepted		**Implementation Deadline:**	**Immediate**

Recommendation 2	Responsibility: Director of Regeneration & Community Services	Priority:	2
The Council should ensure that contractors are selected for tendering from the Council's Approved List.			
Rationale			
The Council's Contract Standing Orders section 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". However, a review of the contractors selected to tender identified that four of the contractors were not included on the Councils Approved List. The Council's Approved List only includes contractors who are registered with Constructionline.			
Management Response			
Action is underway to formally revise the Council's approved list which is dated.			
Accepted		**Implementation Deadline:**	**Immediate**

Recommendation 3	**Responsibility: Director of Regeneration & Community Services**	**Priority:**	**2**

The Council should ensure that each member of the tender opening panel sign both the Tender Opening Register and the Tender Documents to confirm both completeness and their attendance.

Rationale

Invitations to tender include a date and a time for their return and a pre-addressed envelope for the tender document. These procedures are in place to allow each tenderer an equal opportunity to win the work and ensure tender sums cannot be influenced by tenders already received by the Council. Following the date of return, a tender opening panel is assembled; the received envelopes are collected from their place of secure storage and each envelope is opened in turn, with the submitted tender sum recorded in the Tender Opening Register. The Panel should ensure that each tender received is recorded in the register and that it has been received prior to the closing date/time. Each panel member should sign the register and also each tender document recorded in the register. Signing the tender document is a control to prevent alterations after the tenders have been opened.

Internal Audit obtained each of the four tender documents received for the Flass Lane Access Road Project in order to ascertain whether all members of the panel had signed in accordance with procedure. The Tender Register had been signed by the three members of the opening panel; the four tender documents had been signed by the Leader of the Council.

However, there was no evidence that the remaining panel members had added their signature to each of the tenders as required under the Council's Contract Standing Orders section 11.3 which states that all persons present "shall immediately sign against the relevant particulars in the register and shall also sign the tender as evidence of such tenders having been opened by them or in their presence."

Management Response

Accepted.

Accepted		**Implementation Deadline:**	**Immediate**

Recommendation 4	**Responsibility: Director of Regeneration & Community Services**	**Priority:**	**2**

The Council should ensure that the Council take sufficient security for every contract estimated to exceed £150,000.

Rationale

The Council's Contract Standing Orders section 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."

The work was valued at the pre tender stage at £209,040; however Internal Audit could not verify that the Council had taken out a Bond for the new access road at Flass Lane contract. This weakness may not provide adequate assurance over the performance of a key internal control.

Management Response

Accepted.

Accepted		**Implementation Deadline:**	**Immediate**

Recommendation 5	Responsibility: Director of Regeneration & Community Services	Priority:	2

The Council should return incomplete Compensation Event forms to the person responsible for issue, and withhold any related payments.

Rationale

Under the Contract conditions any variation to the contract sum must be confirmed by an appropriately authorised 'Compensation Event' form supported by supplier invoices or Daywork timesheets and signed by the Capita Symonds Project Manager

Internal Audit reviewed all sixteen Compensation Event forms submitted by the contractor. The review identified:

- Compensation Event Forms were not authorised on four occasions; and

- Daywork Timesheets were not certified on 13 occasions from a total of 32

Unless documents are appropriately and consistently authorised there is an increased risk that the Council may make payment for work not approved and completed.

Management Response

Accepted.

Accepted		Implementation Deadline:	Immediate

Recommendation 6	**Responsibility: Director of Regeneration & Community Services**	**Priority:**	**2**

The Council should investigate the discrepancies identified in the Compensation Event forms; and adjust the final account accordingly.

Rationale

The Final Account submitted by the contractor consists of the original Contract Sum and financial variations to the contract referenced to in Compensation Events forms.

Internal Audit reviewed all Compensation Event forms submitted by the contractor. The review identified:

Form CE2

Daywork Sheet (£159.82) included a 10% enhancement of a charge made for Plant. The Contract Document provides for such enhancement on "people overheads" only. The amount over claimed amounts to £9.34.

Daywork Sheet (£875.75) had been incorrectly totalled. The total for Labour had been mistakenly counted as £145.00 instead of £165.00. This has resulted in an under claim of £20.00 plus £2.00 fee.

Form CE16

This form relates to an estimate received for the provision of a fence located at 59 Flass Lane. The supplier's estimate and the Compensation Events Form total included on the Final Account both amount to £2,800. Currently there is no indication as to whether this amount will be subject to a 10% fee charge.

Management Response

We are currently examining the Compensation Event form for provision of a fence at Flass Lane. We acknowledge discrepancies in the two other events listed, but the amounts involved are only small.

Accepted	**Implementation Deadline:**	**Immediate**

Recommendation 7	**Responsibility: Director of Regeneration & Community Services**	**Priority:**	**2**

The Council should ensure that payments due to contractors are paid within the contract timescales.

Rationale

Following the receipt of a certified Interim Assessment Certificate and contractor's invoice, the payment is processed through the Council's Creditor Payments system.

Internal Audit identified three Interim Assessment Certificates and contractor invoices for the Flass Lane Access Road contract.

However, the review identified a significant delay in the payment of the first interim certificate

Interim Certificate	Date of Interim Certificate	Date Paid
1	25 Sept 07	4 Sept 08
2	5 Mar 08	18 June 08
3	6 Aug 08	4 Sept 08

The Council may be at risk of being required to pay the contractor interest on the delayed payment of £97,375 for the period 18th October 2007 to the 4th September 2008.

Management Response

Accepted.

Accepted	**Implementation Deadline:**	**Immediate**

Recommendation 8	Responsibility: Director of Regeneration & Community Services	Priority:	2

The Council should ensure that appropriate delegation is given to officers required to authorise contractor payments.

Rationale

Internal Audit reviewed the three contractor invoices submitted for payment for the Access Road Flass Lane contract. Each of the invoices had been authorised for payment by the Council's Projects & Property Manager. Internal Audit viewed the Council's Authorised Signatory Form for this officer; this states an upper limit of £50,000. However, the review identified that two of the invoices exceeded £50,000 (£114,415.62 and £109,926.38 respectively). This potential weakness may not provide adequate assurance over the performance of a key internal control.

Management Response

Accepted.

Accepted	**Implementation Deadline:**	**Immediate**

Recommendation 9	Responsibility: Director of Regeneration & Community Services/Projects and Property Manager	Priority:	2

The Council should request the Architect to issue either an Extension of Time certificate or revise the contract date for completion with a Compensation Event Form to support the Completion Certificate issued by Capita Symonds on 9th April 2008.

Rationale

Internal Audit confirmed the revised Starting Date and Completion Date for the project. The interval between the Completion Date and the Practical Completion dates were calculated using the amount provided for in the Contract i.e. £107.92 per day which equates to £20,612.72 due to the Council.

Contract Dates

Start: 3rd October 2005

Completion:25th November 2006

Management Response

Delays to the contract, triggering claims, were requested by the Council, the first relating to the protection of birds in a hedgerow to be removed as part of the road, the second as a result of a dispute on adjacent land.

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: August 2008

APPENDIX 2

CONTRACT PARTICULARS

Contract Title:	Construction of New Access Road For Future Developments at Flass Lane, Barrow-in-Furness.
Contract Form:	Engineering and Construction Contract (Second Edition November 1995)("ECC") incorporating Option A together with ECC secondary options P,R,T,U and Z ("the Conditions")
Contractor:	Thomas Armstrong Construction Limited
Architect:	CAPITA SYMONDS
Quantity Surveyor:	CAPITA SYMONDS
Contract Sum:	£186,500
Contract Sum Revision:	£195,825 (due to start delay)
Date for Possession:	6th August 2007
Date for Completion:	28th September 2007
Date of Practical Completion:	9th April 2008
Delay in Completion:	27 Weeks
Extension of Time Granted:	Not finalised
Liquidated and Ascertained Damages provision/paid/received:	Provision: £107.92 per day.
Minimum Insurance Cover	£2,500,000 (any one event)
Minimum Bond	£ N/A
Retention Amount	5% (2.5%)
Final Valuation (Latest Received No3)	£237,748.64
Submitted Final Account Sum:	£240,548.64
Audited Final Account Statement:	Variances to be investigated.
Percentage increase / Final Account Statement (£240,548.64) against Contract Sum (£195,825.00)	Increase of £44,723.64 (22.8%)

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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.
Priority 3	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 08-35
RIGHT TO BUY

Executive Summary

Introduction

Council tenants who meet specific criteria, i.e. they have held a tenancy in social housing for a minimum of five years (if the tenancy commenced after 18th January 2005) and are the current resident of the property: have the right to acquire their home under the Government's Right to Buy (RTB) scheme. To encourage the number of homeowners, the scheme also enables applicants to obtain a discount, calculated on the basis of the number of years tenancy in social housing. The Council's Housing Department are responsible for the administration of applications, in liaison with Legal Services. For the financial year 2007/08 and to date, 18 dwellings have been sold under the scheme.

Audit Objectives

An audit of this system forms part of the agreed 2008/09 programme. The audit objectives were to evaluate and test the internal controls of the Right to Buy system. The scope and objectives of the audit were discussed and agreed in advance with Brenda Gill, Senior Legal Assistant.

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

Key Points
Substantial Assurance
Three minor issues.
No 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 three Priority 3 recommendations, which concern:

- introducing a policy and formal documented procedures for the 'Right of First Refusal' process and waiving of discount repayment;

- introducing an application form for the waiving of right to buy discount repayment; and

- considering the introduction of a time limit, within which a decision must be made regarding waiving of discount repayment for right to buy re-sales.

Internal Audit also reviewed the four Right to Buy recommendations made in audit report 03-18, dated March 2004. Three recommendations have been fully implemented and one recommendation has been overtaken by events.

Management Response

We have received a constructive management response from Janet Gellatly, Housing Accounts 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: Housing Manager	Priority:	3

The Council should introduce a policy and formal documented procedures for:

   a) the 'Right of First Refusal' process; and

   b) waiving of discount repayment.

Rationale

The Housing Act 2004 requires owners of relevant property who wish to resell within ten years of purchase through the Right to Buy scheme, to offer the property to the Council or nominated Registered Social Landlord. The legislation affects properties sold on or after 18th January 2005. In addition, the Council has discretion not to demand that all or part of the discount is repaid.

However, documented procedures in relation to the legislative changes to the Right to Buy scheme introduced by the Housing Act 2004, with regard to the 'Right of First Refusal' and 'waiving repayment of discount' do not exist.

The introduction of formal procedural guidance would support the process; provide a point of reference during staff absence; and aid consistency and compliance.

Additionally, requests for waiving of discount repayment will require the presentation of personal information to justify the application. It is, therefore, appropriate the Council agrees a procedure to consider such requests which is open, fair and transparent; as such decisions may be subject to judicial review or scrutiny by the Ombudsman.

Management Response

We are in the process of developing a new policy and procedures.

Accepted	Implementation Deadline:	30th April 2009

Recommendation 2	Responsibility: Housing Manager & Senior Legal Assistant	Priority:	3

The Council should introduce an application form for the waiving of right to buy discount repayment.

Rationale

Section 185 of the Housing Act 2004 states that where a Council property purchased under right to buy is resold, the Council has discretion not to demand that all or part of the discount is repaid.

A report has been presented to the Council's Executive Committee regarding introducing formal documented procedures relating to the legislative changes to the Right to Buy scheme.

Included within this report is a recommendation that a standard application form is introduced. The applicant will be able to record details of their financial situation; specifically in relation to the non-waiver or partial waiver of discounts; and the resultant hardship. Additionally, reasons for individuals wishing to move home could also be recorded on the form.

The introduction of an application form would aid consistency, improve control arrangements and provide further transparency to the approval process.

Management Response

As part of the procedures we will be introducing an application form.

Accepted		**Implementation Deadline:**	**30th April 2009**

Recommendation 3	Responsibility: Housing Manager & Senior Legal Assistant	Priority:	3

The Council should consider introducing a time limit, within which a decision must be made regarding waiving of discount repayment for right to buy re-sales.

Rationale

Section 185 of the Housing Act 2004 states that where a Council property purchased under right to buy is resold, the Council has discretion not to demand that all or part of the discount is repaid. Discretionary reasons include demonstrable personal hardship, medical grounds, threat of violence or significant harm, racial, faith, homophobic or other harassment, relationship breakdown including domestic violence, extreme anti-social behaviour in an adjoining property or a traumatic personal event.

When a request to waive the discount is received it is forwarded to the Housing Manager for decision. In addition, the Borough Treasurer is consulted.

Internal Audit were informed that there have been three occasions where repayment of discount has been waived for re-sales of Council Houses purchased under the RTB Scheme (under the 5 year rule).

For the three cases, Internal Audit identified the decision process had taken 19.3 weeks, 16.7 weeks and 1 week respectively.

During this decision period, (which in the first two cases was lengthy) there is an increased risk of further financial hardship/distress to the applicant.

Management Response

As part of the policy we will define a time limit.

Accepted		Implementation Deadline:	30th April 2009

APPENDIX 1

AUDIT FRAMEWORK

Coverage

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

- right to buy application and approval process;
- right to buy sales;
- 'Right of First Refusal' on resale; and
- discount repayment on resale.

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 Williams and Claire Jackson

The fieldwork was performed: September to October 2008

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

APPENDIX 2

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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.
Priority 3	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 08-34
STREETCARE (INCLUDING GROUNDS MAINTENANCE)

Executive Summary

Introduction

The Council's Grounds Maintenance function for the Borough is provided by Continental Landscapes on a five-year contract with the option of a five-year extension. The current contract ends on 31st March 2009. The 'open spaces' element of the contract which incorporates grass cutting of verges, roundabouts and semi formal parks has an approximate annual value of £420,000. The Council's Street Cleansing function for the Borough is provided by SITA through a contract due to end on 31st March 2009; however this has been extended until March 2010. The contract has an approximate annual value of £1,250,000.

Audit Objectives

An audit of this system forms part of the agreed 2008/09 programme. The audit objectives were to evaluate and test the internal controls over the Grounds Maintenance (open spaces) and Street cleansing functions. The scope and objectives of the audit were discussed and agreed in advance with Keith Johnson, Community Services Manager and Alan Barker, Streetcare Manager.

Key Points
Restricted Assurance
Two major issues
Four important issues
Four minor issues

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 – *Restricted Assurance*

As a result of the audit we have concluded that there are significant weaknesses, which put some of the system objectives at risk. We have made two Priority 1 recommendations relating to ensuring:

- grounds maintenance (open spaces) inspections are formally recorded; and

- street cleaning inspections are formally recorded.

In addition, we have made four Priority 2 recommendations, which concern ensuring that:

- formally documented procedures for all aspects of the Grounds Maintenance and Street Cleaning functions are produced;

- the grounds maintenance contractor completes and returns 'Period Work Schedules' on a timely and consistent basis;

- consideration is given to the review of inspection records by management;

- contractor performance is appropriately reported to Members.

We have also made four Priority 3 recommendations relating to:

- investigating missing Monitoring Sheets;

- ensuring the 'Supervisor weekly report of Street Cleansing operations' and the 'street cleansing schedule' are being completed by the contractor on a timely basis;

- ensuring client/contractor meetings are consistently held and minutes of meetings are provided by the contractor on a timely basis; and

- investigating the discrepancies identified with regard to the number of 'failure to perform' notices.

Management Response

We have received a constructive management response from Keith Johnson, Community 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: Community Services Manager	Priority:	1

The Council should ensure that grounds maintenance (open spaces) inspections are formally recorded; in order to provide adequate evidence of the monitoring arrangements in place; and assurance over contractor performance.

Rationale

One of the main tasks within the grounds maintenance contract (open spaces) is the provision of the grass cutting service within the Borough. Grass cutting is performed between February and October under a number of regimes which determine the frequency of cutting.

The contractor is issued with 'Period Work Schedules' for each period within the year; there are 13 periods, each being 4 weeks duration. The contractor completes the work schedule for each period, prior to returning to the Council. Internal Audit were informed that random inspections against the grounds maintenance 'period Work Schedule' are performed by members of the Streetcare Team.

However, these inspections are not formally recorded or documented; in fact it did not appear that such a requirement was included within the internal control arrangements. Recording inspections would assist in demonstrating that the Council are performing adequate and effective monitoring of the service provider; and would assist in providing the Authority with a more robust and transparent monitoring function.

Management Response

From week commencing 19th January, the Streetcare Department will introduce an Audit Sheet to formally record grounds maintenance inspections. These will be completed by the Streetcare Inspection Officers and will be filed and retained in the Streetcare Office. These sheets will provide evidence of monitoring and, through that evidence, assurance over contractor performance.

Accepted	Implementation Deadline:	19th January 2009

Recommendation 2	Responsibility: Community Services Manager	Priority:	1

The Council should ensure that street cleaning inspections are formally recorded to provide evidence of the monitoring arrangements in place; and assurance over contractor performance.

Rationale

On a weekly basis the Council's 'Contracts Enquiry System' produces a 'weekly Monitoring sheet'; from which a random sample of 10% of programmed works are generated. Streetcare officers will inspect the cleanliness for each of the sample, recording the results on the sheet.

Internal Audit were informed that additional random inspections are performed against the overall programme of work by the Streetcare Team.

However, we were informed that these inspections are not formally recorded or documented. Recording inspections would assist in demonstrating that the Council are performing adequate and effective monitoring of the service provider, and would assist in providing the Authority with a more robust and transparent monitoring function.

Management Response

From week commencing 19th January, the Streetcare Department will introduce an Audit Sheet to formally record grounds maintenance inspections. These will be completed by the Streetcare Inspection Officers and will be filed and retained in the Streetcare Office. These sheets will provide evidence of monitoring and, through that evidence, assurance over contractor performance.

Accepted	Implementation Deadline:	19th January 2009

Recommendation 3	Responsibility: Community Services Manager	Priority:	2

The Council should ensure that formally documented procedures for all aspects of the Grounds Maintenance and Street Cleaning functions are produced and issued to responsible officers.

Rationale

During the audit it was identified that specific operational procedures do not exist for either the Grounds Maintenance (open spaces) or Street Cleaning functions.

The introduction of formal procedural guidance would support the monitoring process; provide a point of reference during staff absence; and aid consistency and compliance.

Management Response

The Streetcare Department will develop an operational procedure and a suite of supporting work instructions for Grounds Maintenance (open spaces) and Street Cleaning Functions.

Accepted	Implementation Deadline:	1st April 2009

Recommendation 4	Responsibility: Community Services Manager	Priority:	2

The Council should ensure that the grounds maintenance contractor completes and returns 'Period Work Schedules' on a timely and consistent basis.

Rationale

The contractor for the grounds maintenance contract is issued with 'Period Work Schedules' for each period within the year; there are 13 periods, each being 4 weeks duration. Internal Audit obtained the file containing the 'Period Work Schedules' from April 2008 onwards. For each period from April 2008 to date, a completed 'Period Work Schedule' had been returned to the Council.

However, we were informed that the completed schedules have only recently been returned to the Council (October 2008) for all periods since April 2008. This weakness does not provide adequate or timely assurance in relation to contractor performance.

Management Response

The Streetcare Manager will ensure that Periodic Work Schedules are completed and collected in a timely and consistent fashion. These completed sheets will be filed and stored in the Streetcare office.

(In relation to the last paragraph in the rationale, it has been discovered that the completed schedules for all periods from April to October 2008 were in the office at the time of audit. However, the Administrative Assistant was not aware that these had been abstracted by the Streetcare Manager in order to conduct a review.)

Accepted	Implementation Deadline:	31st January 2009

Recommendation 5	Responsibility: Community Services Manager	Priority:	2

Consideration should be given to the review of inspection records by management, to ensure adequate and satisfactory monitoring arrangements are in place.

Rationale

Internal Audit were informed by the Streetcare Team that random inspections for grounds maintenance (open spaces) and street cleaning are performed; although these inspections are not formally recorded or documented. Furthermore, a management review mechanism does not exist to ensure adequate and appropriate monitoring is being undertaken.

This weakness may not provide the Council with adequate assurance over the performance of internal control procedures.

Management Response

From 1st January 2009 the Streetcare Manager will ensure that the internal monthly team meetings to discuss all aspects of performance are formally minuted. These minutes will be filed and stored in the Streetcare Office. The Streetcare Manager will also make a formal written progress report to the Community Services Manager on a quarterly basis. (End Mar,Jun,Sept,Dec.)

Accepted	Implementation Deadline:	31st March 2009

Recommendation 6	Responsibility: Community Services Manager	Priority:	2

The Streetcare Manager should ensure contractor performance is appropriately reported to Members.

Rationale

Internal Audit were unable to locate evidence to confirm that the Streetcare Manager has reported specifically on contractor performance to Members. However, Internal Audit did identify a report relating to weed management where Members requested an update regarding management of weeds.

Due to the profile and value of works undertaken, consideration should be given to reporting contractor performance to Members, in order to improve transparency and assurance measures.

Management Response

The Streetcare Manager will produce an annual qualitative report for the Regeneration and Community Services Scrutiny Committee.

(In the longer term, the new contracts which will be in place from April 2010 will have a stronger performance focus and this may result in a more systematic reporting framework.)

Accepted	Implementation Deadline:	31st March 2009

Recommendation 7	Responsibility: Community Services Manager	Priority:	3

The Streetcare Team should investigate the specified missing Monitoring Sheets.

Rationale

On a weekly basis the Council's 'Contracts Enquiry System' produces a 'weekly monitoring sheet'. This generates a random sample of 10% from the overall programmed works. The monitoring sheets detail which streets are to be visited (including gullies, litter bins and street cleaning), the standard of cleanliness, the name of the monitoring officer and the date. Streetcare officers will inspect the cleanliness for each of the sample, recording the results on the monitoring sheet. Each monitoring sheet is sequentially numbered. Internal Audit obtained the weekly monitoring sheets from 24 March 2008 onwards.

It was identified that a monitoring sheet had not been completed for weeks commencing:

- 31 Mar 08.

- 7 Apr 08; and

- 26 May 08.

In addition, Monitoring sheet number 1109 was not on file.

Management Response

The missing monitoring sheets identified in the Audit co-incided with the period of the Streetcare Officer's leave and the vacancy created by the retirement of the Assistant Streetcare Manager. This means that monitoring did not take place during the weeks identified. (This was an exceptional staffing situation and is unlikely to re-occur: the new staffing structure was implemented in June and July.)

It has been discovered that sheet 1109 was generated as a test sheet to demonstrate the system to a new member of staff. The Streetcare Manager has determined that should this be required in future, the team will cancel the training sheet and make a note so that it can be distinguished from a missing record.

Accepted	Implementation Deadline:	Actioned

Recommendation 8	**Responsibility: Community Services Manager**	**Priority:**	**3**

The Streetcare Team should:

a) perform spot checks to ensure the 'Supervisor weekly report of Street Cleansing operations' are being completed by the contractor, and on a timely basis; and

b) request that the 'daily street cleansing schedule' is provided to the Council on a timely basis.

Rationale

Internal Audit viewed the file containing the 'Supervisor weekly report of Street Cleansing operations'; which details the location of work and responsible supervisor. The contractor 'ticks' which days the work have been completed; the weekly report is then signed by the Supervisor and Manager. It was identified at the time of the audit that the latest sheet on file was dated week ending 27/01/08; however through discussion it was identified that the 'Supervisor weekly report of Street Cleansing operations' are now retained at the SITA depot. The Council have the option to view them at any time.

In addition, we were informed that the 'Supervisor weekly report of Street Cleansing operations' does not contain sufficient information; therefore SITA now produce an additional monitoring sheet the 'daily street cleansing schedule'. However, we were informed that these are not always provided on a daily basis by the contractor or fully completed for all operatives.

Ensuring monitoring information is completed and retained by the contractor on a timely and consistent basis would assist in ensuring a more effective and robust monitoring process is in place.

Management Response

During week commencing 12th January 2009 the Streetcare Manager will instruct both Contractors to return confirmation of completion of work on the required basis. (Contractors will be informed that failure to comply may result in the application of the default process.) Returned records will be filed and stored in the Streetcare Office.

Accepted	**Implementation Deadline:**	**31st January 2009**

Recommendation 9	Responsibility: Community Services Manager	Priority:	3

The Streetcare Team should ensure that client/contractor meetings are formally and consistently held; and minutes of meetings are provided by the contractor on a timely basis.

Rationale

Client/contractor meetings for both Grounds Maintenance and Streetcare are scheduled to be held on a monthly basis. However, minutes of such meetings were not available beyond October 2007. It was stated that since this date responsibility for the production of such minutes had changed from the Administration Assistant to the specific contractor. Furthermore it appears the monthly meetings had only been reinstated in August 2008.

Management Response

It has been discovered that minutes of the meetings with SITA had been stored electronically after October 2007. These will be printed and stored in the Streetcare Office. The formal Grounds Maintenance meeting had fallen into abeyance, only being reinstated in August, but these will now be held on a monthly basis and minutes will be taken and retained in the Streetcare Office. A full schedule of meetings with both contractors for 2009 has been developed and is available in the Streetcare Office.

Accepted	**Implementation Deadline:**	**31st January 2009**

Recommendation 10	Responsibility: Community Services Manager	Priority:	3

The Streetcare Team should investigate the discrepancies identified with regard to the number of 'failure to perform' notices issued.

Rationale

Internal Audit reviewed the files containing the 'failure to perform' notices issued from April to September 2008 and compared the number of 'failure to perform' notices on the Streetcare records, to the actual number of 'failure to perform' notices on file; and finally, verifying that the correct number of failure to perform' notices had been included on the corresponding invoice.

However, Internal Audit could not agree the following:

Month	Streetcare record	Number counted
April 08	10	6
July 08	38	37

Management Response

The Streetcare Manager will liaise with the Contractor to obtain copies of the missing failure to perform notices. From November 1st 2008, the paper system was replaced by an electronic failure to perform advice system. This means that the risk of losing the paper advice has now been eliminated.

Accepted		Implementation Deadline:	Implemented

AUDIT FRAMEWORK

Coverage

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

-       internal procedures;
-       contract performance and monitoring;
-       payment procedure; and
-       management information and reporting.

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: Claire Jackson

The fieldwork was performed: October – December 2008.

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

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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
Priority 3	Minor issues, which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.

<table>
<tr><td>
BARROW BOROUGH COUNCIL

INTERNAL AUDIT FINAL REPORT CR 46

- **ABBOTSVALE COMMUNITY CENTRE EXTENSION**

- **LANDSCAPE FEATURE – DUKE STREET / CAVENDISH STREET**

- **APPOINTMENT OF AN ARCHITECT – FORMER APOLLO CINEMA**

TENDER REVIEW
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Executive Summary

Introduction

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

Three contracts were selected following an initial review of Contract Register Entry Forms, which document the completion of required procedures during the term of the contract. Each contract selected had been identified as having areas of concern which required investigation.

The Contracts and Contractors reviewed are:

- Contract No. 4756 - Abbotsvale Community Centre Extension – Team Northern Construction Ltd.

- Contract No. 4745 – Landscape Feature, Duke Street / Cavendish Road – Leck Construction Ltd.

- Contract No. 4721 – Appointment of an Architect for construction of Office Building at Former Apollo Cinema.

Audit Objectives

The audit objectives were to perform an examination of the tender and appointment process and associated documentation. Details of the audit methodology are provided in Appendix 1.

Key Points
Substantial Assurance
Five important issues identified.

Audit Conclusion - *Substantial Assurance*

As a result of the audit we have concluded that while there is a reasonable system of control, there are weaknesses, which may put the system objectives at risk. We have made five Priority 2 recommendations, which concern:

- ensuring that contracts are completed, signed and dated prior to the commencement of work;

- decisions to appoint contractors who have not submitted the lowest tender, are formally and consistently recorded;

- where the lowest tender is not accepted, the decision is referred to Executive Committee;

- Contractors submitting a tender should be formally notified in writing of the Council's decision in awarding the contract; and

- ensure that the appointment of consultants is in accordance with the Council's Contract Standing Orders.

Management Response

We have received a constructive management response from Phil Huck, Director of Regeneration and Community Services, accepting each of the recommendations.

Acknowledgement

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

Abbotsvale Community Centre Extension

Recommendation 1	Responsibility: Director of Corporate Services and Director of Regeneration & Community Services.	Priority:	2
Management should ensure that contracts are completed, signed and dated prior to the commencement of work, or in the case where work commences under a letter of intent, the contract document is finalised at the earliest opportunity.			
Rationale			
Internal Audit established the date for commencement as the11th August 2003 and the date for completion as the 3rd July 2004 from the Contract Register Entry Form S1/6.			

Internal Audit established the date for commencement as the11th August 2003 and the date for completion as the 3rd July 2004 from the Contract Register Entry Form S1/6.

However, the review identified that the Contract was dated 20th March 2007; therefore after the date of completion.

There is a significant risk to the Council if contracts are not formalised prior to the commencement of works, both in terms of financial liability and overall responsibility.

Management Response

Accepted.

Accepted		Implementation Deadline:	Immediate

Landscape Feature at Duke Street / Cavendish Street, Barrow

Recommendation 2	Responsibility: Director of Corporate Services and Director of Regeneration & Community Services.	Priority:	2

The Council should ensure decisions to appoint contractors who have not submitted the lowest tender, are formally and consistently recorded.

Rationale

Internal Audit identified that following the return of tenders from five contractors that the lowest tender was not accepted. The five tender sums were:

Tender Sum

£127,219.63

£134,281.00

£139,988.00   Tender sum accepted

£145,250.00

£147,727.00

The Council's Contract Standing Orders 13.2 states:

"No tender other than the lowest tender if payment is to be made by the Council, shall be accepted except by the Executive Committee after having considered a report on such tender from the appropriate Director".

By not accepting the lowest tender, the Council may be at risk of not demonstrating value for money. Furthermore, evidence supporting the reason for the decision was not documented.

Management Response

Accepted.

Accepted		Implementation Deadline:	Immediate

Landscape Feature at Duke Street / Cavendish Street, Barrow

Recommendation 3	Responsibility: Director of Corporate Services and Director of Regeneration & Community Services.	Priority:	2
The Council should ensure that where the lowest tender is not accepted, the decision is referred to Executive Committee in accordance with the Council's Contract Standing Orders.			
Rationale			
The Council's Contract Standing Orders 13.2 requires that, "No tender other than the lowest tender if payment is to be made by the Council, shall be accepted except by the Executive Committee after having considered a report on such tender from the appropriate Director". However, Internal Audit were unable to confirm that the decision had been referred to Executive Committee for consideration and approval. This weakness is in breach of the Council's Contract Standing Orders; specifically as no suspension of such a requirement exists.			
Management Response			
Accepted.			
Accepted	**Implementation Deadline:**	**Immediate**	

Landscape Feature at Duke Street / Cavendish Street, Barrow

Recommendation 4	Responsibility: Director of Corporate Services and Director of Regeneration & Community Services.	Priority:	2

Contractors submitting a tender should be formally notified in writing of the Council's decision in awarding the contract.

Rationale

Internal Audit could not locate formal notifications relating to the appointment of the successful contractor. 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.

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."

Management Response

Although the recommendation is accepted, I do not consider a formal debriefing for each unsuccessful tenderer to be necessary.

Accepted		Implementation Deadline:	Immediate

Appointment of an Architect – Former Apollo Cinema

Recommendation 5	Responsibility: Director of Corporate Services and Director of Regeneration & Community Services.	Priority:	2

The Council should ensure that the appointment of consultants is in accordance with the Council's Contract Standing Orders.

Rationale

Bowker Sadler Partnership were appointed as architect for the construction of an office building at the former Apollo cinema site. The initial fee for architect services was £243,750, rising to a maximum of £282,750.

However, Internal Audit were unable to locate an entry for the appointment of Bowker Sadler Partnership in the Council's Tender Opening Register. The Council's Contract Standing Orders section 19.1 states that "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." As the fee for architect services was greater than £100,000, the Council's Contract Standing Orders apply, whereby "tenders shall be invited where the contract sum is estimated to exceed £100,000."

This action is potentially in breach of the Council's Contract Standing Orders, and does not provide adequate assurance over the internal control arrangements.

Management Response

Bowker Sadler were appointed following a design/build competition for the office development. Their services therefore formed part of the tendered contract.

Accepted	Implementation Deadline:	Immediate

AUDIT FRAMEWORK

Audit Coverage

The review covered the following areas:

- contract / tender process; and
- contract register.

Methodology

The contract review covered the following key stages:

- evaluation of the contract summary details;
- report findings, with relevant and practical recommendations for improvement.

Performance

Auditors: Keith Jackson and Ifor Jones.

The fieldwork was performed: August to September 2008

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 07-31
PARK LEISURE CENTRE

Executive Summary

Introduction

The Park Leisure Centre was the Council's first dedicated indoor leisure facility with provision for wet and dry activities. The Centre was opened in 1991 and is located in the town's main public park. The Centre is currently undergoing a £1.2m major refurbishment in partnership with Pulse Fitness Limited including the development of a Youth Gym and an improved Adult Gym facility on a newly created second-floor. Operational annual expenditure for the centre is in the region of £1,275,000 with income of approximately £700,000.

Audit Objectives

An audit of this system forms part of the agreed 2007/08 programme. The audit objectives were to evaluate and test the internal controls at the Leisure Centre. The scope and objectives of the audit were discussed and agreed in advance with Margaret Wilson, Sports Contract Manager.

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
Two important issues.
Five minor issues.

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 two Priority 2 recommendations, which concern:

- producing an up to date inventory and performing regular spot checks. In addition, stock checks should be performed on a regular basis; and
- selecting an adequate surveillance system to be installed at the Park Leisure Centre.

In addition, we have made five Priority 3 recommendations which relate to:
- ensuring, for each shift, the till float is signed in and out by the receptionist and countersigned by a Duty Manager;
- updating the Leisure Centre cash handling procedures;
- reimbursing the petty cash float at least monthly, in accordance with the Council's Petty Cash Procedures;
- considering amending the Leisure Card application form to include an area for the applicant to sign; and

- ensuring stocks of first aid/safety equipment are checked in accordance with procedure.

Internal Audit also reviewed the seven agreed recommendations made in Audit Report 03-21, dated April 2005. Six recommendations had been fully implemented and the remaining recommendation remains outstanding; which relates to ensuring that contract documentation, relating to the commission payable from income received on third party vending machines, located at the Centre, is obtained and income received is in accordance with the agreed Contracts.

Additionally, Internal Audit reviewed the four outstanding agreed recommendations made in Audit Report 02-01, dated October 2002 and the four outstanding recommendations made in report 144, dated September 2001. Four recommendations have been fully implemented, two recommendations have been overtaken by events and two recommendations remain outstanding which concern:

- considering installing a sign at the Leisure Centre reception stating that customers should obtain a receipt for all income transactions; and

- ensuring that an independent review of all floats is undertaken and evidenced on at least a monthly basis.

Management Response

Internal Audit have received a constructive management response from Margaret Wilson, Sports Contract Manager, accepting each of our recommendations except for one previous recommendation which has been overtaken by events, this related to displaying a sign reminding customers to obtain receipts for income transactions.

Acknowledgement

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

Recommendation 1	**Responsibility: Sports Contract Manager**	**Priority:**	**2**

The Council should ensure that an up to date inventory is produced and regular spot checks are performed. In addition, stock checks should be performed on a regular basis.

Rationale

Internal Audit were informed by the Sports Contract Manager that an up to date inventory is not held; and checks on equipment are not undertaken.

The Council's Financial Regulations state:

'Departmental Chief Officers shall be responsible for keeping, in a manner approved by the Borough Treasurer, current inventories of Council assets of their relevant departments and shall annually physically check the existence of all items and record the check, taking appropriate action in relation to surpluses and/or deficiencies'….'Where assets are disposed of, the Senior Officer of the relevant department shall be responsible for keeping a comprehensive record of disposed items in a manner approved by the Borough Treasurer'.

Internal Audit were also informed that stock checks are not performed. The Council's Financial Regulations state:

'Stocks and stores records shall be kept in a form to be agreed by the Borough Treasurer….Physical checks of stores are to be carried out under the direction of the Senior Officer at intervals agreed with the Borough Treasurer and periodical test checks may also be made by the Borough Treasurer'.

Without maintaining and recording accurate stock holding and transfer details, there is an increased risk to the security of purchased stock.

Management Response

Procedures are being drawn up for the maintenance and review of equipment inventories.

The operational procedure for stock control will be amended to include for periodic checks on stocks and stores by the Assistant Manager.

Accepted	**Implementation Deadline:**	**30th April 2008**

Recommendation 2	Responsibility: Sports Contract Manager	Priority:	2
The Council should identify and procure an adequate surveillance system for installation at the Park Leisure Centre; on completion of the upgrade works.			
Rationale			
Internal Audit were informed that there is currently no surveillance system in place at the Leisure Centre. However, the Assistant Manager is currently researching the purchase of a new surveillance system. Without an adequate surveillance system in place, the security of the Council's assets may be reduced.			
Management Response			
Quotations are now being sought for the installation of a security surveillance system.			
Accepted		**Implementation Deadline:**	**30th April 2008**

Recommendation 3	**Responsibility: Sports Contract Manager**	**Priority:**	**3**

The Council should ensure that for each shift, the till float is consistently signed in and out by the receptionist and countersigned by a Duty Manager. In addition, the deposit and removal of floats to and from the safe should be countersigned by a second officer.

Rationale

The Leisure Centre reception is manned on a shift basis, with several receptionists covering the shifts each day. At the start of each shift the receptionist signs for the till float and at the end of each shift, the till is cashed up, the takings recorded on the Daily Cash Sheet and the float signed back in. Each action should be countersigned by the Duty Officer.

Internal Audit selected a sample of four weeks' Daily Cash Sheets since April 2007, reviewing each of the shifts for the seven days of the selected week. For the sample selected (99 Daily Cash Sheets) it was identified:

- on seven sheets the float was only signed in by the receptionist and out by the incoming receptionist;

- on two sheets the float was only signed in by the receptionist; and

- on sixteen sheets there were no signatures signing the float back in.

The daily movement of floats to and from the safe is recorded in the Daily Handover book, signed by the officer transferring the float and countersigned by a second officer. During the review it was identified that the previous Daily Handover book (up to 8th Nov 2007) had been destroyed. However, a review of the current book revealed the transfer of floats had not been countersigned on fourteen of the twenty-one days reviewed.

Management Response

The daily cash sheet is being updated to make it clearer which sections require a signature and a memo issued to Duty officers reminding them of the requirement to countersign the daily cash sheet.

Accepted	**Implementation Deadline:**	**30th April 2008**

Recommendation 4	Responsibility: Sports Contract Manager	Priority:	3
The Council should ensure that the Leisure Centre cash handling procedures are up to date; and consistently dated.			
Rationale			
Internal Audit reviewed the Receptionist's Operating Procedures covering staffing, start and end of shift procedures and cheque payment procedures; and also the 'TLMS Cashing up procedure' detailing till use. However, the TLMS procedure is dated 4.9.01 and the operating procedures are not dated. Without appropriate version control of such documents there is an increased risk that staff are not in possession of the correct and up to date procedures.			
Management Response			
All operating procedures are currently under review to ensure accuracy and relevance.			
Accepted		**Implementation Deadline:**	**30th April 2008**

Recommendation 5	**Responsibility: Sports Contract Manager**	**Priority:**	3

The Council should ensure that the petty cash float is reimbursed at least monthly, in accordance with the Council's Petty Cash Procedures.

Rationale

The Park Leisure Centre maintains a petty cash imprest of £25, which is used for minor cash items of expenditure, less than £10.

During the review, Internal Audit identified that since April 2007, the petty cash has been reimbursed once (in August 2007) which is in breach of the Council's Petty Cash Procedures which state that 'Floats should be reimbursed at least monthly'.

Management Response

Management accepts the recommendation, however due to the spending pattern of the petty cash imprest will seek some further clarification from the Deputy Borough Treasurer.

Accepted		**Implementation Deadline:**	**30ᵗʰ April 2008**

Recommendation 6	**Responsibility: Sports Contract Manager**	**Priority:**	3

The Council should consider amending the Leisure Card application form to include an area for the applicant to sign.

Rationale

The Park Leisure Centre offers a 'Leisure Card' facility for users of the Centre. Leisure Cards cost £17 for Borough residents and £21 for people living outside the Borough. The card is valid for 12 months and entitles the user to reduced rate swimming, and sports bookings for personal use only. The conditions of issue and use of the card are detailed on the reverse of the application form.

Internal Audit selected a sample of ten applications for a Leisure Card and identified there is no area on the application form for the applicant to sign confirming acceptance of the conditions of use.

Management Response

Forms will be amended at the next reprint.

Accepted		**Implementation Deadline:**	**30th June 2008**

Recommendation 7	**Responsibility: Sports Contract Manager**	**Priority:**	**3**

The Council should ensure that stocks of first aid equipment are checked on a daily basis as required by current procedure.

Rationale

Each day the Duty Officer updates the 'Duty Officer's Daily check sheet' with the tasks performed. The form is split into sections; opening procedure, closing procedure, cleaning duties, daily checklist, weekly checklist etc. A check of the first aid room/kits is listed as a daily task for the Duty Officers. In addition, the Assistant Manager performs additional checks on a weekly basis of first aid and safety equipment.

Internal Audit selected a sample of five weeks since April 2007 and viewed the Duty Officer's Daily Check sheets and the Assistant Manager's safety check records. It was identified that for two weeks in the sample no checks on first aid equipment had been performed by the Duty Officer, although a weekly check had been performed by the Assistant Manager. For the remaining three weeks, the kits were checked on four days, one day and three days during the weeks.

Management Response

Management will review the frequency of the first aid checks and remind Duty officers about the requirement to check supplies.

Accepted		**Implementation Deadline:**	**30th April 2008**

Previous Recommendations	Responsibility: Sports Contract Manager

The Council should implement the agreed outstanding recommendation from Audit report 03-21, dated April 2005, namely:

The Sports Contract Manager should ensure that contract documentation, relating to the commission payable from income received on third party vending machines, located at the Centre, is obtained and income received is in accordance with the agreed Contracts.

(Priority 3)

Rationale

A weighing machine is in place at the Park Leisure Centre which users are charged to utilise. Responsibility for the maintenance of the machine and collection of income is carried out by the provider.

No formal contract relating to commission payable, responsibility for the machine maintenance, and commission levels payable between the Centre and machine provider was provided.

Management Response

The weighing machine provider will be requested to supply written details of the commission arrangements and maintenance arrangements in place.

	Revised Implementation Deadline:	30th April 2008

Previous Recommendations	**Responsibility: Sports Contract Manager**

The Council should implement the agreed outstanding recommendation from Audit report 02-01, dated October 2002, namely:

The Council should consider installing a sign at the Leisure Centre reception stating that customers should obtain a receipt for all income transactions.

(Priority 3)

Rationale

Internal Audit viewed the (temporary) reception area at the Centre and observed that notices are not displayed, reminding customers to obtain receipts.

Management Response

Following the redesign of the main reception and the introduction of access control gates, management no longer consider such a sign to be necessary.

	Revised Implementation Deadline:	**N/a**

Previous Recommendations	**Responsibility: Sports Contract Manager**

The Council should implement the agreed outstanding recommendation from Audit report 144, dated September 2001, namely:

The Leisure Centre should ensure that an independent review of all floats is undertaken and evidenced on at least a monthly basis.

(Priority 3)

Rationale

The following floats are held at the Leisure Centre:

Main Float - £590

Receptionists Floats - £150 (2x£75)

Petty Cash - £25

During the review, the floats were verified by Internal Audit however, no independent review of the floats is carried out by Centre management.

Management Response

Independent verifications of the floats by centre management to be implemented with immediate effect.

	Revised Implementation Deadline:	**Immediate**

APPENDIX 1

AUDIT FRAMEWORK

Coverage

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

-        Cash Control (Inc Petty Cash);
-        Banking Procedures;
-        Concession Income (Inc Sodexho agreement);
-        Physical Security;
-        Stock Control and Inventories;
-        Employee Records;
-        External Contracts and/or Income;
-        Management Information and Procedures; and
-        Intranet/Internet.

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 reports.

Performance

Auditor: Keith Jackson and Sarah Williams.

The fieldwork was performed: November 2007 to February 2008.

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

<div align="right">**APPENDIX 2**</div>

CLASSIFICATIONS

Assurance Level

	Evaluation	*Testing*
Unqualified	There is an adequate system of controls designed to achieve the system objectives.	The controls appear to be consistently applied.
Substantial	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.
Restricted	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.
None	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

	Recommendation	*Follow Up*
Priority 1	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.
Priority 2	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.
Priority 3	Minor issues which provide scope for operational improvement.	Follow-up performed by the end of the next audit year.