

# **BOROUGH OF BARROW-IN-FURNESS**

## **AUDIT COMMITTEE**

Meeting, Wednesday, 15th June, 2016  
at 2.00 p.m. (Committee Room No. 4)

### **A G E N D A**

#### **PART ONE**

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

#### 3 Admission of Public and Press

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

#### 4 Declarations of Interest

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

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

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

- 5 To confirm the Minutes of the meeting held on 3rd March, 2016 (copy attached) (Pages 1-10).
6. Apologies for Absence/Attendance of Substitute Members.

#### **FOR DECISION**

- (D) 7. Audit Committee Terms of Reference (Pages 11-12).
- (D) 8. Internal Audit Final Reports (Pages 13-14).

- (D) 9 Internal Audit Annual Report (Page 15).
- (D) 10. External Audit Progress and Update Report (Page 16).
- (D) 11. External Audit Fee Letter (Page 17).
- (D) 12. Audit Committee Update (Page 18).
- (D) 13. Annual Review of Internal Audit (Pages 19-21).
- (D) 14. Annual Review of Audit Committee Effectiveness (Page 22).
- (D) 15. Draft Annual Governance Statement (Page 23).
- (D) 16. Risk Management Report (Page 24).
- (D) 17. Monitoring Priority 1 Recommendations (Page 25).

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

**Membership of Committee**

Councillors Burns (Chair)  
Harkin (Vice-Chair)  
Callister  
Gawne  
Murray  
Seward

**For queries regarding this agenda, please contact:**

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**AUDIT COMMITTEE**

Meeting Thursday 3rd March, 2016  
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman), Cassidy and Seward.

Officers Present:- Sue Roberts (Director of Resources), John Penfold (Corporate Support Manager), Brooke Parsons (Corporate Support Assistant) and Sharron Rushton (Democratic Services Officer).

Also present were Jackie Bellard and Neil Krajewski from Grant Thornton and Keith Jackson from Internal Audit.

**35 – Minutes**

The Minutes of the meeting held on 10th December, 2015 were taken as read and confirmed.

**36 – Apologies for Absence/Attendance of Substitute Members**

Apologies for absence had been received from Councillors Callister and Harkin.

Councillor Cassidy had attended as a substitute for Councillor Callister for this meeting only.

**37 – Internal Audit Final Reports**

The Director of Resources reported that Internal Audit performed audits in accordance with the approved Annual Plan.

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

There had been seventeen final reports appended for consideration. The reports included and their assurance levels were as follows:-

1. Income Collection – Substantial Assurance;
2. Housing Benefits – Substantial Assurance;
3. Council Tax – Substantial Assurance;
4. National Non Domestic Rates – Substantial Assurance;
5. Performance Management – Substantial Assurance;
6. Payroll – Substantial Assurance;
7. Accounts Payable – Substantial Assurance;
8. Housing Rents – Substantial Assurance;
9. Cumbria Housing Partners: Roosegate Re-Roofing – Substantial Assurance;
10. West Shore Coastal Defence – Restricted Assurance;
11. Cumbria Housing Partners: Electrical Installation Works 2015-2019 – Substantial Assurance;

12. Cumbria Housing Partners: Bathroom Installation Works 2015-2019 – Substantial Assurance;
13. Cumbria Housing Partners: Central Heating Refurbishment Works 2015-2019 – Substantial Assurance;
14. Cumbria Housing Partners: Kitchen Installation Works 2015-2019 – Substantial Assurance;
15. Cumbria Housing Partners: Painting and Pre-Painting Repair Works 2015-2019 – Substantial Assurance;
16. Cumbria Housing Partners: Window and Door Installation 2015-2019 – Substantial Assurance; and
17. Cumbria Housing Partners: Roofing and Associated Works 2015-2019 – Substantial Assurance.

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

RESOLVED:- To note the Internal Audit Final Reports.

### **38 – Internal Audit Progress Report**

The Director of Resources reported that the Internal Audit Progress Report for the period 1st April, 2015 to 2nd March, 2016 had been produced by the Head of Internal Audit.

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

There had been one Priority 1 recommendation since the previous Audit Committee.

The report contained a statistical summary of the numbers of audit recommendations (81). It was noted that 77 recommendations had been fully accepted and 4 recommendations had been partly accepted. Each of the recommendations had been assigned a priority grade 1-3, 1 being major issues and 3 being minor issues. 7 had been rated Priority 1, 49 had been rated Priority 2 and 25 had been assigned Priority 3.

RESOLVED:- That the report be received.

### **39 – Internal Audit Annual Plan**

The Director of Resources reported that the Internal Audit Annual Plan for 2016-2017 had been produced by the Head of Internal Audit.

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

A copy of the Internal Audit Annual Plan for 2016-2017 had been appended to the report.

RESOLVED:- That the Internal Audit Annual Plan for 2016-2017 be agreed.

## 40 – External Audit - Committee Update

Jackie Bellard of External Auditor presented the Audit Committee update report to Members. The report provided the Committee with details of the Auditor's progress in delivering their responsibilities as External Auditors. It also included a summary of emerging national issues and developments that may be relevant to the Council as well as a number of challenge questions in respect of those emerging issues which the Committee may wish to consider.

A Table of Progress as at 16th February, 2016 had been presented as follows:-

Work	Planned date	Complete?	Comments
<b>2015-16 Accounts Audit Plan</b> We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.	March 2016	Yes	The Audit Plan is included on the agenda for this meeting.
<b>Interim accounts audit</b> Our interim fieldwork visit includes: <ul style="list-style-type: none"> <li>• updating our review of the Council's control environment</li> <li>• updating our understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• proposed Value for Money conclusion.</li> </ul>	March 2016	No	We have largely completed our interim audit. We will be undertaking some further work to update our review of the Council's control environment in March.
<b>2015-16 final accounts audit</b> Including: <ul style="list-style-type: none"> <li>• audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion.</li> </ul>	July/August 2016	No	We are currently finalising with the Finance Team the dates for our final accounts audit.
<b>Value for Money (VfM) conclusion</b> The scope of our work to inform the 2015/16 VfM conclusion has recently been subject to consultation from the National Audit Office. The audit guidance on the auditor's work on value for money arrangements was published on 9 November 2015. Auditors are required to reach	May-August 2016	No	We have completed our initial risk assessment as part of our audit planning process. This is reported as part of the Audit Plan which is included on today's agenda. We will complete our detailed VfM work alongside our work on the financial

<p>their statutory conclusion on arrangements to secure VfM based on the following overall evaluation criterion: In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.</p> <p>To help auditors to consider this overall evaluation criterion, the following sub-criteria are intended to guide auditors in reaching their overall judgements:</p> <ul style="list-style-type: none"> <li>•Informed decision making</li> <li>•Sustainable resource deployment</li> <li>•Working with partners and other third parties.</li> </ul> <p>We will be required to provide a conclusion that in all significant respects the Council has (or has not) put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.</p>			settlements.
<p><b>Certification Work</b> We will undertake certification work on the Council's Housing Benefit claim.</p>	May-August 2016	No	Our work in this area will commence on receipt of the unaudited return from the Council.

RESOLVED:- To receive the External Auditor's report.

**41 – External Audit Annual Plan**

The Director of Resources reported that the External Audit Annual Plan for the year ended 31st March, 2016 was complete and was attached at an appendix to the report.

RESOLVED:- To agree that the External Audit Annual Plan for the year ended 31st March, 2016 be accepted.

## **42 – Audit Committee Update**

The Director of Resources submitted a report providing an update on the 2015-2016 Accounts together with an update on current issues and developments.

### Statement of Accounts 2015-2016

The Director of Resources reported that the annual closedown timetable had been prepared and was being issued to Managers by the Accountants.

The Accountancy Services Manager and Assets Accountant had attended the annual update event run by CIPFA. These Officers were briefing the Director of Resources and the other Accountants on changes impacting the Council's Accounts for 2015-2016. Other preparations were taking place.

As reported at the Audit Committee in December 2015, IFRS 13 'Fair Value Measurement' was incorporated into the Accounting Code of Practice. The Council did not have investment properties, but had reviewed its surplus assets in line with the Code requirements. Fair values would be disclosed. The Property, Plant and Equipment measurement bases had been reviewed and clearly stated in the Accounting Policies for the 2015-2016 Statement of Accounts.

### Actions from 2014-2015

The governance actions from 2014-2015 were being monitored and the latest update was appended to the report.

### National Fraud Initiative (NFI)

The data matches identified by the NFI exercise that were identified as high risk had all been reviewed. As a whole the data matching exercise had resulted in housing benefit savings of £3,358.56 spread across 13 cases.

### Protecting the English Public Purse

The Council participated in an annual fraud detection survey run by 'The European Institute for Combatting Corruption and Fraud' (TEICCAF). In October last year the Director of Resources circulated the national publication and she now had the personalised Barrow Borough Council document. The publication was appended to the report and used the data the Council provided to compare against similar authorities; housing benefits remained the area of fraud highlighted. The document indicated that the Council were lower than its comparators.

### External Audit Contract

The Secretary of State for Communities and Local Government had decided to extend the transitional arrangement for Principal Local Government Bodies to 1st April, 2018. Once the transitional audit arrangements came to an end, local public sector bodies would have the power to appoint their own auditors. This meant new appointments would need to be made by 31st December, 2017.

However, the Local Government Association (LGA) successfully lobbied for a change to the Local Audit and Accountability Act 2014, as a result of which, local bodies could come together to continue to procure audit at a national level once the transitional arrangements end. The LGA believed that this would continue to deliver competitive prices, and also avoid the necessity for each audited body to establish its own independent auditor panel.

In deciding to extend the transitional arrangements for a further year for larger Local Government bodies, the Secretary of State recognised the need to enable the sector to make timely arrangements for procurement under the new framework and to provide ongoing stability in the arrangements during the transition. The LGA lobbied for this extension having estimated that extending the current arrangement beyond 2017 would deliver savings of £24 million per annum by locking in current fee levels.

In May to June 2015, the LGA conducted a short online survey to ascertain the level of interest across the sector for extending external audit contracts for up to three years, and also the level of support for setting-up of a sector-led body to procure External Audit on behalf of Councils and other bodies by the LGA in the future. Both the extension and the sector-led body options were supported and in response the LGA had started making arrangements to support Councils during the transition.

RESOLVED:- To receive the report.

#### **43 – Going Concern**

The Director of Resources reported that the Council was required to assess and determine that it was appropriate to prepare the financial statements on a going concern basis. The review should take account of all available information about the future, which was at least, but not limited to the next twelve months from the end of the reporting period.

The Accounts of the Council for the period 1st April, 2015 to 31st March, 2016 would be prepared on a going concern basis. This basis assumed that the Council would be able to realise its assets and liabilities in the normal course of business and that it would continue in business for the foreseeable future.

Management Board had considered all relevant factors and determined that the going concern concept does apply to the Council.

RESOLVED:- To agree that the Council was a going concern and it was appropriate for the Accounts to be prepared on a going concern basis.

#### **44 – Accounting Policies**

The Director of Resources reported that the Council's Accounting Policies had been reviewed to ensure that they remained relevant, current and reflected best practice.



It was noted that it was the responsibility of the Director of Resources to select suitable accounting policies and apply them consistently. Any significant changes in accounting policies were reported in the Statement of Accounts. These changes were highlighted in the Code of Practice on Local Authority Accounting in the United Kingdom each year.

Accounting policies were the specific principles, bases, conventions, rules and practices applied by an Authority in preparing and presenting financial statements.

#### Changes in Accounting Policy

Where a change in accounting policy was required by the Code, the Council would disclose the information that might specifically be required by the Code. For other voluntary changes in accounting policy made by an Authority, disclosure was required of:-

- the nature of the change in accounting policy;
- the reasons why applying the new accounting policy provides reliable and more relevant information;
- for the current period and each prior period presented, to the extent practicable, the amount of the adjustment for each financial statement line item affected;
- the amount of the adjustment relating to periods before those presented, to the extent practicable, and
- if retrospective application is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy had been applied.

#### Future Accounting Standards – Disclosures

Where a new standard had been published but had not yet been adopted by the Code, Local Authorities were required to disclose information relating to the impact of the accounting change. In making the disclosures required, practitioners were recommended to disclose:-

- the title of the new standard;
- the nature of the change in accounting policy or policies;
- the date by which the standard or interpretation was likely to apply to Local Authorities; and
- a discussion of the impact that the introduction of the new standards was likely to have on the financial statements estimated on a reasonable basis. If an estimate could not be made on a reasonable basis because, for example, the base data required to estimate the impact of the new standard was not available, then the financial statements should clearly explain that this was the case.

### Accounting Policies for 2015-2016

The Accounting Policies for 2015-2016 were attached as an appendix to the Director of Resources report for information.

RESOLVED:- To approve the Accounting Policies for the Council's 2015-2016 Statement of Accounts.

### **45 – Audit Committee Work Plan**

The Director of Resources submitted a report setting out the Work Plan for the Audit Committee for 2016-2017. The Audit Committee Work Plan was appended to her report and would be the basis for the agenda of the meetings in 2016-2017.

The items listed within the plan were not exclusive as other items could be brought to the Audit Committee as appropriate. Any recurring items would be built into the Work Plan.

The Work Plan was based on the Terms of Reference for the Audit Committee as set out in the Councils' Constitution. The reports were aligned to the relevant area, together with the reporting officer and the reporting cycle noted in the final columns.

RESOLVED:- To agree the Audit Committee Work Plan for 2016-2017.

### **46 – Risk Management**

The Corporate Support Manager attached as an appendix to his report the Risk Register for 2015/16. He reported that the Register continued to focus on business critical risks which were under the control of the Council.

The Risk Register was presented to Management Board at their meeting on 24th February, 2016 and a number of amendments were made. The amended Risk Register would be circulated to Members once updated.

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

(ii) To agree for the updated Risk Register to be circulated to Members once completed.

### **47 – Code of Corporate Governance**

The Corporate Support Manager provided Members with the final version of the Code of Corporate Governance.

The Council produced a Code of Corporate Governance which was reviewed on an annual basis. Guidance preparing the Code was provided by the Chartered Institute for Public Finance and Accountancy (CIPFA).

CIPFA had been working with the International Federation of Accountants (IFAC) and had developed a framework for good governance in the public sector based on the International Framework, Good Governance in the Public Sector.

The framework was designed as a reference document for those who developed governance codes for the public sector when updating and reviewing their own codes. The framework provided a shared understanding of what constituted good governance in the public sector.

The Code of Corporate Governance was appended to the Corporate Support Manager's report.

**RESOLVED:-** To agree to endorse the Code of Corporate Governance and agree that it could be published on the Council's website.

#### **48 – Monitoring Priority 1 Recommendations**

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

To ensure all agreed Internal Audit Priority 1 recommendations were implemented in a timely manner they were now tracked by Management.

There was one on-going Priority 1 recommendation relating to the Kennels.

The Council should ensure that all receipts issued by Officers were from an official receipt book provided by the Finance Department.

The Streetcare Manager was issued with an official receipt book in June 2015 which was currently in operational use at the Kennels.

Members were satisfied that appropriate action had been taken and this item had now been removed from the list of outstanding actions.

There were three recommendations in the Procurement Report.

The Council should ensure that procurements/purchases were consistently made in accordance with the competition requirements of its Purchasing Policy.

Managers had been reminded of the current Purchasing Procedure and its requirements. The Procedure would be revised again early in 2016 with operational feedback sought from across the Council. Revisions would be incorporated only where there was no detrimental impact on key internal controls.

The Council should formally tender the contract for inspection and repair of the Borough's playgrounds in accordance with procurement regulations.

The temporary arrangement remained in place at this time and a decision for permanent arrangements would be made within the next month.

The Council should ensure that correctly authorised official purchase orders were issued for all relevant supplies in accordance with the Authority's procedures.

Managers had been reminded of the current Purchasing Procedure and its requirements. The Procedure would be revised again (including additional clarifications) early in 2016 with operational feedback sought from across the Council. Revisions and clarifications would be incorporated only where there was no detrimental impact on key internal controls.

The Council was currently recruiting for the post of Procurement Officer.

There was an outstanding Priority 1 recommendation from the Business Continuity report.

The Council should produce a formally approved and up to date Business Continuity Plan.

ICT disaster recovery arrangements were in place and were being tested. A regular testing programme was being developed to ensure that the arrangements were robust. Testing would take place in Quarter 1 2016/17.

The IT Service Team had carried out testing and had confirmed that data could be recovered from the back up servers. It could not yet be confirmed that the data could be accessed from the Park Leisure Centre at this stage because the upgrade of the Crematorium building prevented the use of the microwave repeater which forwarded the data.

RESOLVED:- To note the report.

The meeting closed at 3.35 p.m.

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D)</b>
<b>Date of Meeting: 15th June, 2016</b>		<b>Agenda</b>
<b>Reporting Officer: Director of Resources</b>		<b>Item</b>
		<b>7</b>
<p><b>Title: Audit Committee Terms of Reference</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Audit Committee Terms of Reference are set out in this report.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive and note the report.</p>		

### **Report**

The Audit Committee Terms of Reference are set out in the Council's constitution and are reported here to provide Members with the framework of the Committee's business and responsibilities.

There are no changes from 2015-2016.

### **Audit Activity**

- To consider the head of internal audit's annual report and opinion, and a summary of internal audit activity (actual and planned) and the level of assurance it can give over the Council's corporate governance arrangements.
- To consider summaries of specific internal audit reports.
- To consider reports dealing with the management and performance of the internal audit provider.
- To consider reports from internal audit on agreed recommendations not implemented within reasonable timescale.
- To consider the external auditor's annual letter and relevant reports.
- To consider specific reports as agreed with the external auditor.
- To comment on the scope and depth of external audit work and to ensure it gives value for money.
- To consider the appointment of the external auditor where appropriate.

## **Regulatory Framework**

- To maintain an overview of the Council's Constitution in respect of contract standing orders and financial regulations.
- To promote and maintain high standards of conduct for elected and co-opted members in accordance with the relevant provisions of the Localism Act.
- To review any issue referred to it by the Executive Director or Director of Resources, or any Council body.
- To monitor the effective development and operation of risk management and corporate governance in the Council.
- To monitor Council policies on the anti-fraud and anti-corruption strategy and the Council's complaints process.
- To approve the production of the authority's Annual Governance Statement and to recommend its adoption.
- To consider the Council's arrangement for corporate governance and agreeing necessary actions to ensure compliance with best practice.
- To consider the Council's compliance with its own and other published standards and controls.

## **Accounts**

- To review and approve the annual statement of accounts. Specifically, to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statement or from the audit that need to be brought to the attention of the Council.
- To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

## **Background Papers**

Nil

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 8</b>
<b>Date of Meeting: 15th June, 2016</b>		
<b>Reporting Officer: Director of Resources</b>		
<p><b>Title: Internal Audit Final Reports</b></p> <p><b>Summary and Conclusions:</b></p> <p>Internal Audit performs audits in accordance with the approved Annual Plan. Final reports are presented to Members by the Head of Internal Audit.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the Internal Audit final reports and raise any questions.</p>		

### Report

There are four final reports for consideration by Members:

- 15-05 Risk Management **Appendix 1**
- 15-14 Accounts Receivable **Appendix 2**
- 15-29 Gas Safety **Appendix 3**
- IT-60 IT backup, recovery and disaster recovery planning **Appendix 4**

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

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

The assurance levels are:

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

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

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

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

The recommendation levels assigned to issues identified are:

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

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

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

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

Background Papers

Nil



**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-05**  
**RISK MANAGEMENT**

## Executive Summary

### Introduction

The Council's Risk Management Policy 2015 states that the Council's approach to risk management has been developed to support the main requirements of good corporate governance. The Policy recognises that good risk management will support and improve the decision making process, increase the likelihood of objectives being achieved and enable the Council to respond quickly to new threats and opportunities.

Key responsibilities for risk management include: the Leader of the Council to overview risk management activities; Executive Committee to approve the Policy; Audit Committee to review the Policy and Risk Register; and Management Board to ensure there is a robust framework to identify and manage risks and to review the Register.

The Corporate Support Manager maintains the Council's Risk Register, monitors action plans and prepares quarterly reports for Members and senior managers. Risks are assigned a score on the basis of their likelihood and impact. For the higher ranking risks above a defined "appetite", mitigating actions are required to reduce the score to an acceptable level. The latest Register identifies 15 strategic/corporate risks and 12 operational risks.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to evaluate and test the high level controls over the Risk Management process. The scope and objectives of the audit were discussed and agreed in advance with the Corporate Support Manager.

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

Key Points
<b>Substantial Assurance</b>
One minor issue
Two 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 one Priority 3 recommendation which relates to:

- The Council considering monitoring and reporting risks below its appetite on a less frequent than quarterly basis, so that quarterly reviews can focus on the higher risk areas.

Internal Audit also reviewed the four agreed recommendations made in the previous audit report 14-05, dated December 2014. Two of the recommendations have been implemented in full. One recommendation has been partially implemented and one remains outstanding; the outstanding issues relate to:

- considering strengthening the monitoring of corporate risks by:
  - b) indicating in the Risk Register the dates to which residual and target risk scores apply;
  - c) recording, and periodically publishing, the progress made in reducing the scores of individual risks; and
  - d) requesting risk owners to produce plans which detail the individual actions to be undertaken to reduce risk scores, with measurable target dates for their achievement (Priority 2); and
- Arranging specific specialist training in risk management for appropriate Councillors and Officers (Priority 2).

Internal Audit have not reviewed the implementation of the outstanding elements of two recommendations made in Audit Report 11-08 (Business Continuity), dated December 2011. Progress against the Priority 1 recommendation is reported regularly to the Audit Committee, which was informed in March 2016 that ICT disaster recovery arrangements would be tested in Quarter 1 of 2016/17. In accordance with this timescale, Internal Audit intends to review progress in next financial year.

### **Management Response**

We have received a constructive management response from the Corporate Support Manager, accepting the recommendation.

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-14**  
**ACCOUNTS RECEIVABLE**

## Executive Summary

### Introduction

Debtor accounts for income due to the Council, other than Housing Revenue Account income, are administered and controlled by the Finance Department, using the Accounts Receivable module of the Oracle financial system. Invoices are raised centrally by Finance staff, either upon receipt of an authorised Accounts Receivable Transaction Request Form, or imported electronically from departmental databases.

The Finance Department is responsible for the initial recovery of unpaid debts; if unsuccessful, relevant cases are referred to the law firm DWF which operates a debt collection agency.

During 2015/16, the Council had raised 4,170 invoices with a value of approximately £4.8 million. At 9<sup>th</sup> February 2016 the balance on the Receivables Ledger was £705,011. The writing off of irrecoverable debts is approved at the end of each financial year; for 2014/15, these amounted to £1,263.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to evaluate and test the internal controls over the Accounts Receivable system. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

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

Key Points
<b>Substantial Assurance</b>
<b>One important issue</b>
<b>Seven previous recommendations</b>

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system of control, there are weaknesses, which may put some of the system objectives at risk, the majority of which relate to previously identified issues. We have raised one Priority 2 recommendation which relates to:

- ensuring reports of outstanding invoices are produced each month for distribution to the relevant cost centre managers for review and follow up.

Internal Audit reviewed the two agreed recommendations made in the previous audit report 14-14, dated March 2015. Both recommendations are outstanding and concern:

- ensuring action is taken to address issues identified in the Sundry Billing & Recovery Review from August 2014 (Priority 2); and
- ensuring unrecovered debts are referred to DWF on a timely basis and regular updates are obtained from DWF which are routinely documented (Priority 3).

Internal Audit also reviewed the six agreed recommendations made in the previous audit report 13-11, dated March 2014. Four recommendations have been implemented; however two recommendations have only been partially implemented and these relate to ensuring:

- for each "invoice batch run", confirmation of invoices raised to the Oracle batch control sheet is consistently evidenced (Priority 3); and
- credit/cancellation of invoices are only performed when requested by an authorised officer (Priority 3).

In addition, Internal Audit reviewed the two outstanding recommendations made in the previous audit report 12-12, dated February 2013. Both recommendations remain outstanding and relate to:

- regularly monitoring arrangements to pay sundry debtor invoices by instalments to ensure that they are being consistently maintained (Priority 3); and
- ensuring that up to date documented procedures for the Accounts Receivable function are produced and reviewed regularly (Priority 3).

Finally, Internal Audit reviewed the outstanding recommendation made in audit report 09-14, dated May 2010. The recommendation remains outstanding and concerns:

- ensuring recovery action is performed in accordance with the Council's Accounts Receivable Recovery Process (Priority 2).

### **Management Response**

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

### **Acknowledgement**

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-29**  
**GAS SAFETY CHECKS**

## Executive Summary

### Introduction

The Gas Safety (Installation and Use) Regulations 1998 places a requirement upon the Council to have all gas appliances in premises let by the Council checked by a Gas Safe registered engineer every 12 months. For Council housing stock this requirement is delivered by the contractor appointed to provide gas servicing. The regulations also require the Council to maintain a record of each safety check and provide a copy of the latest safety check to all existing tenants; details of the safety checks are documented on the Landlord Gas Safety Record.

An unannounced 'spot-check' was carried out by Internal Audit on the records held for 100 dwellings randomly selected from the Council's housing stock, in order to ensure that a gas safety check had been carried out within the past 12 months.

Internal Audit have confirmed in all cases sample tested that a gas safety check had been completed within the past 12 months, with details stored either electronically or in hard copy format.

### Audit Objectives

An audit of this area forms part of the agreed 2015/16 programme. The audit objective was to perform a 'spot-check' of gas safety records to provide assurance that the Council was meeting the requirements of the relevant Regulations. The scope and objectives of the audit were discussed and agreed in advance with the Director of Resources.

Key Points
<b>Unqualified Assurance</b>
<b>No Recommendations</b>

### Audit Conclusion – *Unqualified Assurance*

As a result of the audit we have concluded that there is a basically sound system of control, and as such we have not raised any recommendations. However, the Council may wish to consider requesting the recently appointed contractor to amend the current Landlord Gas Safety Record to include the Gas Safe engineer's ID number in order to comply with best practice.

### Management Response

We have received a constructive management response from the Housing Manager, accepting the report.

### Acknowledgement

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

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT IT 60**  
**BACK UP, RECOVERY AND DISASTER RECOVERY PLANNING**

## Executive Summary

### Introduction

In accordance with the 2015/16 Internal Audit Plan, a review of the Council's Back Up and Recovery arrangements and Disaster Recovery Planning was commenced in January 2016.

Effective system and data backups are essential to enable the Council to recover business information in the event of a system failure, and to ensure that all important information can be restored without disruption in a timely way.

IT Disaster Plans provide for a structured and timely recovery of services in the event of an IT disaster and support the Council's overall business continuity plans. They can reduce disruption to an acceptable level, should a significant IT incident occur.

Topics covered within the audit were:

- Backups and storage;
- Recovery processes;
- IT Disaster Recovery Plan(s); and
- Testing of IT Disaster Recovery Plan(s).

### Audit Objectives

The objective of the audit was to provide reasonable assurance that effective back up and recovery procedures were in place and to confirm that suitable plans have been developed relating to IT Disaster Recovery Planning, which will minimise data loss and contain disruption to Council business to an acceptable level.

The work involved discussions with management and key staff responsible for back up and recovery operations and for the development, implementation and operation of the IT disaster recovery strategy, together with a review of procedures and associated documentation.

The objectives of the audit were discussed and agreed in advance with the Corporate Support Manager and the IT Team Leader.

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that there are a number of weaknesses which place some of the objectives at risk. We have identified five important issues and four minor issues as listed below. These concerns apart however, we found the application of controls to be reasonable; and are therefore able to provide substantial assurance.

Key Points
<b>Substantial Assurance</b>
<b>Five important issues</b>
<b>Four minor issues</b>

We have made five Priority 2 recommendations, as follows:

- The Council should ensure that the IT Disaster Recovery Plan is updated to reflect the agreed use of processing facilities provided via Optech Fibres. Also, that key information is added relating to team members, contacts and system information.
- Management should arrange for the "Outline Plan" and "Recovery Phasing" sections of the Disaster Recovery Plan to be updated and also for the IT activities contained within to be described in more detail. (In particular, there should be a detailed plan for the activation of the replication site as the alternative live processing site.)
- IT Management should introduce a programme of data restore tests and (where necessary) agree these with user management. Any restores carried out in relation to Disaster Recovery or Business Continuity exercises may replace such tests.
- A schedule for Disaster Recovery testing should be agreed by management as soon as possible. This need not itemise the specific systems at this stage but should indicate approximate timings and frequencies.
- The IT Disaster Recovery Plan should be updated to include formal review arrangements, particularly following changes in technology and systems or as a result of testing.

We have also made four Priority 3 recommendations, as follows:

- IT Management should prepare and publish an overview of the current IT backup regime (possibly for inclusion within the existing "Infrastructure Standards" document).
- IT Management should arrange for the current frequencies and the generations of backups retained to be reflected in the Service Definition document. (Following which, and in the current circumstances, user acceptance may then be assumed.)
- IT Management should ensure that procedures for the investigation and correction of back up failures are documented (even though actual actions may be carried out by third party support).
- Management should ensure that the IT related risks contained within the IT risk register are also referenced within the Disaster Recovery Plan where appropriate. (Where mitigation already exists, there is no need to duplicate, cross-references would suffice.)

### **Management Response**

We have received constructive management responses from the Corporate Support Manager and the IT Team Leader, accepting each of the recommendations.

### **Acknowledgement**

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

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 9</b>
<b>Date of Meeting:</b>	<b>15th June, 2016</b>	
<b>Reporting Officer:</b>	<b>Director of Resources</b>	
<p><b>Title: Internal Audit Annual Report</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Internal Audit Annual Report has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the Internal Audit Annual Report and raise any questions.</p>		

**Report**

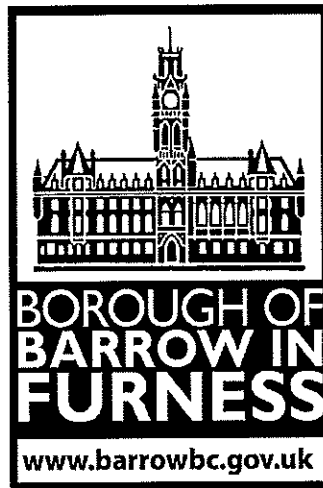
The Head of Internal Audit is required to produce an Annual Report and provide an opinion on the Council's system of internal control.

The Internal Audit Annual Report for 2015-2016 is attached at **Appendix 5** and will be presented to Members by the Head of Internal Audit

**Background Papers**

Nil





*BARROW BOROUGH COUNCIL*

**INTERNAL AUDIT ANNUAL REPORT**

**2015/16**

**May 2016**

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# EXECUTIVE SUMMARY

## Background

The purpose of this report is to meet the Head of Internal Audit's annual reporting requirements set out in the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit's formal annual report should present an opinion on the overall adequacy and effectiveness of the internal control environment, and:

- a) Include an opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control;
- b) Disclose any qualifications to that opinion, together with the reasons for the qualification, including impairment or restriction in scope;
- c) Present a summary of the audit work undertaken to formulate the opinion, including reliance placed on work by other assurance bodies;
- d) Draw attention to any issues the Head of Internal Audit judges particularly relevant to the preparation of the Annual Governance Statement;
- e) Compare the work actually undertaken with the work that was planned; and
- f) Comment on compliance with these standards and the Internal Audit quality assurance programme.

The PSIAS require that the Chief Audit Executive (Head of Internal Audit) should deliver an annual report which can be used by the organisation to inform its annual governance statement. Therefore, in setting out how it meets the reporting requirements, this report also outlines how the Internal Audit function has supported the Council in meeting the requirements of the Accounts and Audit Regulations 2015.

## Scope of Responsibility

The Council is responsible for ensuring its business is conducted in accordance with law and proper standards. In discharging this overall responsibility, the Council is also responsible for ensuring that there is a sound system of internal control which facilitates the effective exercise of the Council's functions and which includes arrangements for the management of risk.

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

## Quality Assurance

Internal Audit operates in accordance with its Audit Charter which includes a defined quality assurance process, involving all documentation being subject to peer review by a different Auditor within the team and subsequent sign-off by the Head of Internal Audit. This process has been consistently maintained throughout 2015/16 and applied to each individual audit assignment. Additionally, Internal Audit has met all performance measures relevant to the service during the year.

## **Review of Effectiveness of Internal Control**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the senior managers within the authority who have responsibility for the development and maintenance of the internal control environment; and also by comments made by the external auditors and other review agencies and inspectorates in the annual audit letter and other reports.

## **Basis of Assurance**

We have conducted our audits in accordance with professional standards and good practice contained within the PSIAS and additionally from our own internal quality assurance systems. We have not identified any limitations in the scope of our audit work in "qualifications to the opinion" within the detail of this report.

In addition, Internal Audit have undertaken a self assessment against the requirements of the PSIAS, and can confirm substantial compliance.

## **Head of Internal Audit Annual Opinion Statement**

This opinion statement is provided in support of the Council's Annual Governance Statement as required under the Accounts and Audit Regulations 2015. The opinion is derived from work carried out by Internal Audit during the year as part of the agreed Internal Audit Plan. The Plan for 2015/16 was developed to primarily provide management with independent assurance on the adequacy and effectiveness of the internal control environment.

The PSIAS state that the internal control environment comprises three key areas: internal control, governance and risk management processes. My opinion on the effectiveness of the internal control environment is based on an assessment of each of these key areas.

As referred to above, there is a requirement for the "system of Internal Control" to include an assessment of sources of assurance, beyond just that of Internal Audit itself. As the Council is required to produce an Annual Governance Statement, sources of assurance are reflected within this process, which Internal Audit are a part of; therefore the control environment is reviewed more fully in this way.

## **2015/16 Year Opinion**

This report provides reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2015/16.

My detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk, these mainly relate to areas of contract management and control. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.

There are however, two areas where only Restricted assurance can be provided, which relate to:

- Procurement (inc. Ordering); and
- West Shore Coastal Defence Contract.

Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to senior management and Members. Additional weaknesses identified through the Annual Governance Statement process are recorded separately and reflect the assurance provided from all sources both internal and external.

### **Co-operation**

The successful achievement of the audit plan is dependent on the contribution of the Council's staff as audit clients. I would like to record our appreciation for the involvement and commitment of staff, and for their critical appraisal of our recommendations during the year. I would also like to acknowledge the support shown by the Audit Committee in the delivery of our Plan.

Keith Jackson  
Director  
Furness Audit

# **1. SERVICE BACKGROUND**

## **1.1 Our reporting lines**

Furness Audit provide the Council's Internal Audit service under the direction of the Director of Resources with access to the Executive Director and elected Members if, in exceptional circumstances, we consider this necessary.

The Head of Internal Audit meets with the Director of Resources, on a regular basis to discuss progress; in addition to attendance at External Audit liaison meetings. He also attends Audit Committee on a regular basis, which includes presentation of progress reports and an analysis of significant agreed recommendations.

## **1.2 Professional standards**

We aim to exceed the professional standards throughout our work, providing your internal audit service in accordance with the Internal Audit Charter, which incorporates the statements, standards and guidelines published by CIPFA and the Chartered Institute of Internal Auditors (in particular the PSIAS).

## **1.3 Our audit process**

We adopt a risk-based approach to identify, and evaluate the application of, financial and other management controls.

Our process includes a computerised matrix evaluation approach. This approach is a practical process for documenting efficiently, and in an easily assimilated form, a rigorous analysis of the potential causes of risk and an assessment of the strength of controls against these risks. In addition, it can be used to demonstrate clearly the effect of implementing recommendations to address weaknesses. It allows for ready identification of control weaknesses, and of key controls, which are critical for the achievement of the systems objectives, as well as unnecessary or excessive controls. Our methodology specifically includes a rigorous quality assurance programme to ensure compliance with this process.

The level and mix of staff utilised for the internal audit service is matched to the complexity of each assignment, with specialists, such as computer auditors and contract auditors, utilised where appropriate. However, continuity of audit staffing is a key feature of the service provided throughout the contract.

## **1.4 2015/16 Audit Plan**

The Audit Plan for 2015/16 was derived from a needs assessment of all agreed auditable areas within the Council. Each area is prioritised by significance band of which there are 5, with band 1 being the highest. This has resulted in an annual plan which concentrates on reviewing all significance band 1 and 2 audits (annual audits) with the remaining time allocated on a risk assessed and

cyclical basis. This assessment and resultant plan may be reviewed by Internal Audit during the year as required.

During the year, the specific scope and objective of each audit assignment was discussed with the relevant Service Manager prior to the commencement of each audit.

We will continue to monitor closely any new issues which may arise and will work closely with the Director of Resources in rescheduling priorities where required.

## 2. REVIEW OF PERIOD

### 2.1 Progress against 2015/16 Annual Plan

A detailed analysis of the current situation regarding the 2015/16 Plan is provided in Appendix A.

The assessment of auditable areas has identified 79 systems, which cover the Council's operations. The audit coverage achieved in the period, compared to the audit plan, is set out in the table below. The difference in planned coverage compared to actual mainly relates to changes made to the audit plan to accommodate requests for an increased number of contract audit reviews (only the completed contract audits are included within the statistics). In addition, significant Housing Benefit Grant Certification testing has been completed which is not reflected in these figures, all of which were included within regular progress reports issued to the Audit Committee.

	Percentage of systems covered		Percentage of risk covered	
	2015/16	2014/15	2015/16	2014/15
<b>Planned</b>	33%	38%	61%	77%
<b>Achieved</b>	33%	39%	61%	80%

### 2.2 Liaison with External Audit

I have liaised with the External Auditor throughout the year; providing documentation to assist in the delivery of their work.

Our aim is to maximise the benefit from the Internal Audit service by avoiding duplication of coverage and facilitating where appropriate the External Auditor's approach, in order to provide maximum assurance.

### 2.3 Fraud Hotline

As part of the Council's responsibility to take action against potential fraud and corruption, a "Whistle-blowing" facility (or Fraud Hotline) has been established since May 1998; for use by Council staff, contractors, suppliers and members of the public. The facility is operated by Internal Audit and call details are either investigated by Internal Audit or Liberata, the Council's Revenues and Benefits provider, or forwarded to the DWP for Housing Benefit fraud.

Calls received:	Revenues/ Benefit related	Staff Related	Other	Total
<b>2015/16</b>	52	0	5	<b>57</b>
<b>2014/15</b>	73	1	0	<b>74</b>



### 3. ANNUAL STATEMENT OF ASSURANCE

In order to help management evaluate the significance of each assignment, we allocate each audit into a significance band which is simply a method of assessment and prioritisation. For example significance band 1 audits have the greatest "significance" or priority in terms of audit coverage. 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
Unqualified Assurance	The controls appear to be consistently applied.
Substantial Assurance	Evidence was identified to suggest that the level of non-compliance with controls may put some of the system objectives at risk.
Restricted Assurance	The level of non-compliance identified places the system objectives at risk.
None	Significant non-compliance with controls was identified leaving the system vulnerable to error and abuse.

The following table summarises the assurance levels recorded in final reports relating to the years 2015/16 and 2014/15. The majority of Council systems have achieved the level of Substantial Assurance, see Appendix A:

Final Reports	Total	Unqualified Assurance		Substantial Assurance		Restricted Assurance		No Assurance	
		No.	%	No.	%	No.	%	No.	%
2015/16	30	3	10	25	83	2	7	0	0
2014/15	24	1	4	21	88	2	8	0	0

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 Regulations 2015 and the Public Sector Internal Audit Standards.

## 4. RECOMMENDATIONS AND FOLLOW UP IN THE YEAR

### 4.1 Introduction

Our audit recommendations are categorised by three priority levels. These categorisations are described below.

*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.

### 4.2 Recommendations made

The following table summarises the number of audit recommendations made in our Final Reports issued during 2015/16, and the management responses, analysed in accordance with the above categories.

<b>Recommendations</b>	<b>Total</b>	<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
Made 2015/16	<b>92</b>	7	55	30
Fully Accepted	<b>88</b>	7	52	29
Partly Accepted	<b>4</b>	0	3	1
Not Accepted	<b>0</b>	0	0	0

Comparative figures for 2014/15 are as follows:

<b>Recommendations</b>	<b>Total</b>	<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
Made 2014/15	<b>110</b>	10	61	39
Fully Accepted	<b>89</b>	7	46	36
Partly Accepted	<b>21</b>	3	15	3
Not Accepted	<b>0</b>	0	0	0

### 4.3 Implementation of recommendations

During the year we have reported on the implementation of 95 agreed audit recommendations made in previous reports. The results are as follows:

	<b>Fully Implemented</b>	<b>Not Implemented</b>	<b>Overtaken By Events</b>	<b>TOTAL</b>
<b>2015/16</b>	42	46	7	95
<b>2014/15</b>	37	36	14	87

For recommendations not fully implemented revised dates have been agreed with management for their implementation. Internal Audit will further review progress on their implementation during 2016/17.

## **5. QUALIFICATIONS TO THE OPINION**

Internal Audit has had unrestricted access to all areas and systems across the authority and has received appropriate co-operation from officers and Members.

## APPENDIX A: PROGRESS AGAINST AUDIT PLAN 2015/16

Report Number	Audit Assignment	System Significance Band	Status	Assurance
15-01	Income Collection	1	Final	Substantial
15-02	Housing Benefits	1	Final	Substantial
15-03	Council Tax & Council Tax Support	1	Final	Substantial
15-04	Business Rates (NNDR)	1	Final	Substantial
15-05	Risk Management	1	Final	Substantial
15-06	Cash Floats/Receiving Controls	1	Final	Substantial
15-09	Performance Management	2	Final	Substantial
15-10	Budgetary Control	2	Final	Unqualified
15-11	Treasury Management	2	Final	Unqualified
15-12	Car Park Meter Income	2	Final	Substantial
15-13	Payroll (inc. Expenses)	2	Final	Substantial
15-14	Accounts Receivable	2	Final	Substantial
15-15	Corporate Control/Governance	2	Complete	N/a
15-16	Main Accounting System & Periodic Controls	2	Q4 on-going	N/a
15-17	Procurement (inc. Ordering)	2	Final	Restricted
15-18	Accounts Payable	2	Final	Substantial
15-19	Housing Rents	2	Final	Substantial
15-20	Standing Orders/Financial Regs/Anti Fraud	2	Complete	N/a
15-21	Housing Maintenance (Day to Day Repairs)	2	Transferred to Contract Audit	N/a
	<b>RISK ASSESSED SYSTEMS</b>			
15-08	Fraud and Corruption Survey		Complete	N/a
15-24	Zoo Licence Fee Setting		Complete	N/a
15-26	Furness Maritime Trust		Complete	N/a
15-27	Licensing Fees		Complete	N/a
15-28	Leisure Centre		Draft	Substantial
15-29	Gas Safety Checks		Final	Unqualified
15-30	Pulse Soccer		Analysis Ongoing	N/a

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>DESIGNATED ANNUAL AUDIT ACTIVITY</b>			
15-22	NFI Responsibilities		Complete	N/a
15-23	Mayor's Account		Complete	N/a
15-25	Benefit Certification		Complete	N/a
	<b>Community Organisations</b>			
-	Hawcoat		Complete	N/a
-	Abbotsvale		Complete	N/a
-	Dalton Community Association		Complete	N/a
-	Barrow Playing Fields Users Association		Further delay due to lack of information	N/a
	<b>IT ENVIRONMENT AUDITS</b>			
IT 58	Mobile Controls	1	Final	Substantial
IT 59	Implementation Review:	1	Complete	N/a
IT 60	Disaster Recovery	1	Final	Substantial
(15-07)	<b>IMPLEMENTATION REVIEW:</b>			
11-25	Insurance		Complete	
11-28	Grounds Maintenance		Complete	
09-23	Asset Management		Complete	
14-30	Dog Kennels		Complete	
IT49	Code of Connection		Complete	
IT51	Information Security Policy		Complete	
IT52	Infrastructure Management		Complete	
IT55	IT Infrastructure Library		Complete	
IT57	General Controls		Complete	

## APPENDIX B: CONTRACT AUDIT 2015/16

Report Number	Audit Assignment	STATUS	Assurance/ Comment
CR80	Roa Island Jetty	Stage 3 completed 17 <sup>th</sup> Sept 15	Awaiting response to findings
CR84	Barrow Cemetery NW Extension	Stage 4 completed 17 <sup>th</sup> Sept 15	Awaiting response to findings
CR86	Town Hall Roof	Stage 4 completed 3 <sup>rd</sup> Sept 15 Draft Report 11/4/16	Awaiting management response
CR90	Re-Roofing Units 9 & 10 James Freel Close	Stage 4 completed 28 <sup>th</sup> Sept 15 Management response received 19/4/16	Draft Final to go to Management Board
CR91	Rawlinson Street Corridor	Stage 1 completed 9 <sup>th</sup> Oct 15	Awaiting Stage 2 checklist
CR93	2014/17 CHP Roosegate Roofing	Final	Substantial
CR94	2014 CHP Devonshire Road Improvements	Stage 1 Memo 4 <sup>th</sup> May 2016	
CR95	Town Hall Ground Floor Improvements	Stage 3 completed 21 <sup>st</sup> Sept 15	Awaiting response to findings
CR96	West Shore Coastal Defence	Final	Restricted
CR97	Maritime Streets Landscaping Design	Stage 3 completed 17 <sup>th</sup> Sept 15	Awaiting response to findings
CR98	Maritime Streets Landscaping Works		Awaiting further information
CR99	Housing stock condition survey	Stage 2 completed 6 <sup>th</sup> Nov 15	Stages 3 & 4 review in progress
CR100	Crematorium/Cemetery Office		Awaiting further information
CR101	CHP Electrical Works 2015/19	Final	Substantial
CR102	CHP Bathroom Works 2015/19	Final	Substantial
CR103	CHP Heating Works 2015/19	Final	Substantial
CR104	CHP Kitchen Works 2015/19	Final	Substantial
CR105	CHP Painting Works 2015/19	Final	Substantial
CR106	CHP Windows & Doors 2015/19	Final	Substantial
CR107	High level electrical repairs & festive lighting	Stage 1 completed 9 <sup>th</sup> Oct 15	Awaiting Stage 2 checklist
CR108	Electrical reactive repairs & maintenance	Stage 1 completed 6 <sup>th</sup> Nov 15	Awaiting Stage 2 checklist

<b>Report Number</b>	<b>Audit Assignment</b>	<b>STATUS</b>	<b>Assurance/ Comment</b>
CR109	CHP Roofing & Associated Ancillary Works 2015/19	Final	Substantial
CR110	Housing Maintenance Responsive Repairs	Draft	Substantial
CR111	Housing Management System	Stage 1 completed 27 <sup>th</sup> Jan 16	Awaiting Stage 2 checklist
CR112	Housing Maintenance Gas Service Contract	Draft	Substantial



		<u>Part One</u>
<b>AUDIT COMMITTEE</b>		<b>(D)</b>
<b>Date of Meeting: 15th June, 2016</b>		<b>Agenda</b>
<b>Reporting Officer: Director of Resources</b>		<b>Item</b>
		<b>10</b>
<p><b>Title: External Audit Progress and Update Report</b></p> <p><b>Summary and Conclusions:</b></p> <p>The External Auditors have produced a progress and update report for the Audit Committee. The External Auditors will present the report to Members.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the External Auditors report and raise any questions.</p>		

**Report**

The External Auditors have produced a progress and update report for the Audit Committee. The report is attached at **Appendix 6** and will be presented to Members by the External Auditors.

**Background papers**

Nil



**Audit Committee**  
**Progress and Update Report for**  
**Barrow Borough Council**  
*Year ended 31 March 2016*

June 2016

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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# Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website [www.grant-thornton.co.uk](http://www.grant-thornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- Better Together: Building a successful joint venture company;  
<http://www.granthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>
- Knowing the Ropes – Audit Committee; Effectiveness Review ;  
[www.granthornton.co.uk/en/insights/knowing-the-ropes-audit-committee-effectiveness-review-2015/](http://www.granthornton.co.uk/en/insights/knowing-the-ropes-audit-committee-effectiveness-review-2015/)
- Making devolution work: A practical guide for local leaders (October 2015)  
[www.granthornton.co.uk/en/insights/making-devolution-work/](http://www.granthornton.co.uk/en/insights/making-devolution-work/)

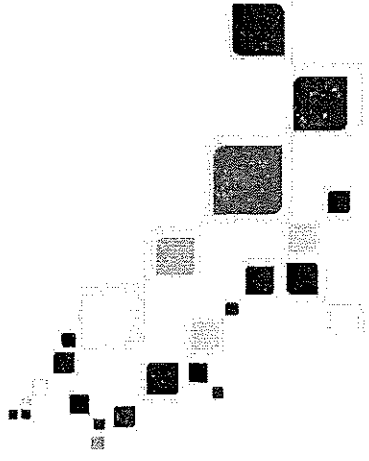
If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



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# Progress at June 2016



**Progress against plan**  
On track

**Opinion and VfM conclusion**

Plan to give before deadline of 30 September 2016

**Outputs delivered**

Fee letter, Progress Reports, delivered to plan

## Expected Date of Completion

2015/16 work

Comments

### Fee Letter

We issued the 'Planned fee letter for 2015/16 in April 2015.

April 2015

We have also recently issued the fee letter for 2016/17.

### Accounts Audit Plan

We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2015-16 financial statements.

March 2016

This was presented to the Audit Committee in March.

We also inform you of any subsequent changes to our audit approach.

### Interim accounts audit

Our interim fieldwork visit includes:

- updating our review of the Council's control environment
- updating our understanding of financial systems
- review of Internal Audit reports on core financial systems
- early work on emerging accounting issues
- early substantive testing

March 2016

We have documented our understanding of the Council's control environment and your financial systems. We have completed walkthroughs of the key financial systems. We have undertaken early substantive testing covering the following areas:

- Employee remuneration (payroll)
- Operating expenses (payables)

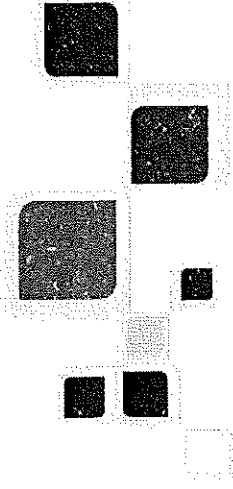
### Certification Audit

- We are required to certify the Council's Housing and Council Tax Benefit claim

November 2016

Officers submitted the unaudited claim to the Department of Work and Pensions in advance of the published deadline of 30 April 2016. Internal audit have commenced their detailed testing of cases selected in accordance with the agreed methodology.

# Progress at 2 June 2016



2015/16 work	Expected Date of Completion	Comments
<p><b>Final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• Audit of the 2015-16 financial statements</li> <li>• proposed opinion on the Council's accounts</li> </ul>	<p>Planned for July - August 2016</p>	<p>We are planning to complete our audit by 31<sup>st</sup> August as part of the transition to the earlier closedown and audit cycle that is required from 2018.</p> <p>We have discussed with your finance team the best way of ensuring we meet this earlier deadline.</p>
<p><b>Value for Money (VfM) conclusion</b> The scope of our work has changed and is set out in the final guidance issued by the National Audit Office in November 2015. The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources". The guidance confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people". The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul>	<p>Planned for June - August 2016</p>	<p>We reported the outcome of our initial risk assessment to the Committee in March 2016. We have met with the Executive Director as part of our consideration of the Council's regeneration plans. We will report the findings arising from our work on this risk and the other VfM risks set out in our audit plan to the committee as part of our Audit Findings Report which will be presented in September 2016.</p>

# Better Together: Building a successful joint venture company

Grant Thornton reports

Local government is evolving as it looks for ways to protect front-line services. These changes are picking up pace as more councils introduce alternative delivery models to generate additional income and savings.

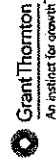
'Better together' is the next report in our series looking at alternative delivery models and focuses on the key areas to consider when deciding to set up a joint venture (JV), setting it up and making it successful.

JVs have been in use for many years in local government and remain a common means of delivering services differently. This report draws on our research across a range of JVs to provide inspiring ideas from those that have been a success and the lessons learnt from those that have encountered challenges.

## Key findings from the report:

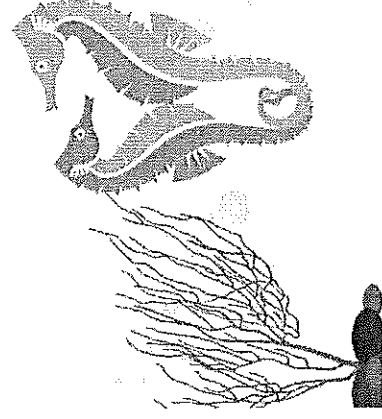
- JVs continue to be a viable option – Where they have been successful they have supported councils to improve service delivery, reduce costs, bring investment and expertise and generate income
- There is reason to be cautious – Our research found a number of JVs between public and private bodies had mixed success in achieving outcomes for councils
- There is a new breed of JVs between public sector bodies – These JVs can be more successful at working and staying together. There are an increasing number being set up between councils and wholly-owned commercial subsidiaries that can provide both the commercialism required and the understanding of the public sector culture.

Our report, Better Together: Building a successful joint venture company, can be downloaded from our website: <http://www.granthornton.co.uk/en/insights/building-a-successful-joint-venture-company/>



ALTERNATIVE SERVICE DELIVERY MODELS IN LOCAL GOVERNMENTS

Better together  
Building a successful  
joint venture company





# Innovation in public financial management

Our research on international public financial management (PFM) shows it is evolving, from having a narrow focus on budgeting, towards a wider mandate as a key driver of policy and strategy across all levels of government, public services, state enterprises and public-private partnerships.

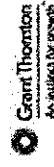
While the rate of this evolution differs by country, the research reveals a marked overall increase in innovation and highlights four major trends that, globally, will impact on the future of public financial management:

1. reform programs
2. infrastructure development, especially via public private partnerships (PPPs)
3. transparency, especially via digital channels
4. the impact of global economic uncertainty.

This report, published by Grant Thornton International in association with the International Consortium on Governmental Financial Management (ICGFM), draws on a recent survey of 278 PFM practitioners worldwide, as well as insights from experts at the ICGFM, the MIT Centre for Finance and Policy and Grant Thornton International.

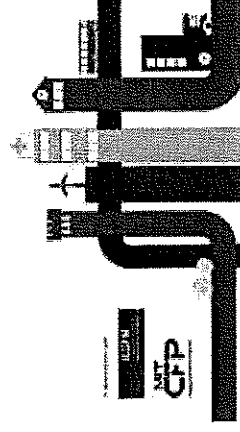
Our report, Innovation in public financial management, can be downloaded from our website:  
<http://www.granthornton.co.uk/en/insights/innovation-in-public-financial-management/>

Grant Thornton reports



Innovation in public financial management  
*in an increasingly complex and uncertain global environment*

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# Fighting Fraud and Corruption Locally

CIPFA publication

**Fighting Fraud and Corruption Locally** is a strategy for English local authorities that is the result of collaboration by local authorities and key stakeholders from across the counter fraud landscape .

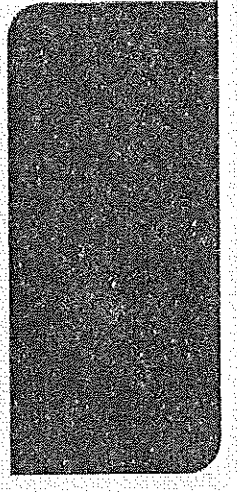
This strategy is the result of an intensive period of research, surveys, face-to-face meetings and workshops. Local authorities have spoken openly about risks, barriers and what they feel is required to help them improve and continue the fight against fraud and to tackle corruption locally.

Local authorities face a significant fraud challenge. Fraud costs local authorities an estimated £2.1bn a year. In addition to the scale of losses, there are further challenges arising from changes in the wider public sector landscape including budget reductions, service remodelling and integration, and government policy changes. Local authorities will need to work with new agencies in a new national counter fraud landscape.

## The strategy:

- calls upon local authorities to continue to tackle fraud with the dedication they have shown so far and to step up the fight against fraud in a challenging and rapidly changing environment
- illustrates the financial benefits that can accrue from fighting fraud more effectively
- calls upon central government to promote counter fraud activity in local authorities by ensuring the right further financial incentives are in place and helping them break down barriers to improvement
- updates and builds upon Fighting Fraud Locally 2011 in the light of developments such as The Serious and Organised Crime Strategy and the first UK Anti-Corruption Plan
- sets out a new strategic approach that is designed to feed into other areas of counter fraud and corruption work and support and strengthen the ability of the wider public sector to protect itself from the harm that fraud can cause.

The strategy can be downloaded from <http://www.cipfa.org/services/counter-fraud-centre/fighting-fraud-and-corruption-locally>



Fighting  
Fraud &  
Corruption  
**LOCALLY**

The local government  
counter fraud and  
corruption strategy

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FRAUD CENTRE**



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<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 11</b>
<b>Date of Meeting:</b>	<b>15th June, 2016</b>	
<b>Reporting Officer:</b>	<b>Director of Resources</b>	
<p><b>Title: External Audit Fee Letter</b></p> <p><b>Summary and Conclusions:</b></p> <p>The fee letter for 2016-2017 has been received from the External Auditor.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to note the External Audit fee for 2016-2017.</p>		

### **Report**

The External Audit fee letter for 2016-2017 is attached at **Appendix 7**.

For Members information the Main Audit fee of £51,119 is the same as the previous year. The Grant Certification fee is £13,733, similar to the previous year (£13,360).

Members are recommended to note the External Audit fee for 2016-2017.

### **Background Papers**

Nil



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21 April 2016

Dear Sue,

### **Planned audit fee for 2016/17**

The Local Audit and Accountability Act 2014 provides for the introduction of a new framework for local public audit. Under these provisions, the Audit Commission closed in March 2015 and the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

### **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no planned changes to the overall work programme for local government audited bodies for 2016/17, bar the adoption of new measurement requirements for the Highways Network Asset.

CIPFA/LASAAC is expected to confirm, subject to consultation, that the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom will adopt the measurement requirements of the CIPFA Code of Practice on Highways Network Asset.

PSAA have determined that there is no reliable and equitable way of establishing the volume of additional audit work, and therefore fees required, at each applicable local authority to gain assurance over the new financial reporting requirements. Therefore, fees for the additional work identified by auditors in 2016/17 will be subject to approval by PSAA under the normal fee variations process. PSAA expect that 'the additional fees for a highway authority will be in the range of £5,000 to £10,000, where authorities are able to provide the information required, and the auditor is able to rely on central assurance of the models in use.

#### **Chartered Accountants**

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PSAA have proposed that 2016/17 scale audit fees (excluding work completed on the Highways Network Asset) are set at the same level as the scale fees applicable for 2015/16. The Council's scale fee for 2016/17 has been set by PSAA at £51,119.

The audit planning process for 2016/17, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

#### **Scope of the audit fee**

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. The audit of the accounts for 2016/17 will be undertaken under this Code, on the basis of the work programme and scale fees set out on the [PSAA website](#). Further information on the NAO Code and guidance is available on the [NAO website](#).

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return (if applicable).

As outlined above, the fee for any additional work in respect of the Highways Network Asset is not included in this fee.

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

#### **Value for Money conclusion**

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2015. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.*

#### **Certification of grant claims and returns**

The Council's indicative grant certification fee has been set by PSAA at £13,733. This fee covers the cost of certifying the housing benefit subsidy claim only and is based on final 2014/15 certification fees.

The indicative fee for certification work is based on the expectation that you provide the auditor with complete and materially accurate claims and returns, with supporting working papers, within agreed timeframes.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves

**Billing schedule**

Fees will be billed as follows:

Main Audit fee	£
September 2016	12,779.75
December 2016	12,779.75
March 2017	12,779.75
June 2017	12,779.75
<b>Total</b>	<b>51,119</b>
<b>Grant Certification</b>	
March 2017	13,733

**Outline audit timetable**

We will undertake our audit planning and interim audit procedures from November 2016 to February 2017. Upon completion of this phase of our work, we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit and work on the VfM conclusion will be completed in July – August 2017, together with any work required in relation to the whole of government accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	January/February 2017	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	September 2017	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	September 2017	Audit Findings (Report to those charged with governance)	As above
Annual audit letter	October 2017	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.

Grant certification	January 2018	Grant certification report	A report summarising the findings of our grant certification work
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**Our team**

The key members of the audit team for 2016/17 are:

	Name	Phone Number	E-mail
Engagement Lead	Jackie Bellard	0161 234 6394	jackie.bellard@uk.gt.com
Engagement Manager	Neil Krajewski	0161 234 6371	neil.p.krajewski@uk.gt.com
In Charge Auditor	Maeve Morgan	0161 953 6446	maeve.t.morgan@uk.gt.com

**Additional work**

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

**Quality assurance**

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Sarah Howard, our Public Sector Assurance regional lead partner, via Sarah.Howard@uk.gt.com.

Yours sincerely

*Jackie*

Jackie Bellard

Engagement Lead

For Grant Thornton UK LLP



<b>AUDIT COMMITTEE</b>	<b>Part One (D) Agenda Item 12</b>
<b>Date of Meeting: 15th June, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Audit Committee Update</b></p> <p><b>Summary and Conclusions:</b></p> <p>This report contains an update on the 2015-2016 closedown process and the actions identified from 2014-2015.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to receive the report and raise any questions.</p>	

## Report

### Statement of Accounts 2015-2016

The ledgers have been closed for 2015-2016 and the Finance Department are finalising the Statement of Accounts and supporting documentation. The unaudited Statement of Accounts and Annual Governance Statement will be published by the 30<sup>th</sup> June deadline.

### Actions from 2014-2015

The actions from 2014-2015 are attached as **Appendix 8**. The timing of some actions has been revised:

- Disaster Recovery – from March/April 2016 to July/Autumn 2016
  - Testing of disaster recovery arrangements.
  - Business Continuity rollout.
- Procurement – from April/May 2016 to Autumn 2016
  - Review purchasing procedure and provide training.
  - Ensure compliance with purchasing and contracting.
- Budget Strategy – from July 2016 to September 2016

### Background Papers

Nil

<u>Rec No.</u>	<u>Action</u>	<u>Management Response</u>	<u>Due Date</u>	<u>Responsibility</u>	<u>Completed</u>
1	Testing of disaster recovery arrangements.	Partial testing has been carried out. Full testing can't be carried out until the hardware is replaced.	July 2016	Corporate Support Manager	
2	Review purchasing procedure and provide training.	This is linked to the recruitment of the Procurement Officer.	Autumn 2016	Director of Resources	
3	Recruit procurement and contracts officer.	The Procurement Officer is in post from mid-June.	March 2016	Corporate Support Manager	June 2016
4	Establish audit logging within the Oracle System.	Tested and promoted to production environment.	Ongoing	Financial Services Manager	June 2016
5	Cascade of Business Continuity Plan.	After the disaster recovery is tested.	Autumn 2016	Corporate Support Manager	
6	Produce action plan for sickness and review absence policy.	Review of sickness absence policy carried out in September 2015. Council approved new policy and rolling out manager workshops and employee briefings at present. New policy from April 2016.	January 2016	HR Manager	January 2016
7	Ensure compliance with purchasing and contracting.	This is linked to the recruitment of the Procurement Officer.	Autumn 2016	Corporate Support Manager	
8	Prepare budget strategy.	The Council is developing the Budget Strategy for 2016-2017 to 2019-2020.	September 2016	Executive Director	

<b>AUDIT COMMITTEE</b>	<b>Part One (D) Agenda Item 13</b>
Date of Meeting: 15th June, 2016	
Reporting Officer: Director of Resources	
<p><b>Title: Annual Review of Internal Audit</b></p> <p><b>Summary and Conclusions:</b></p> <p>Internal Audit must comply with proper practice as defined by the code of practice issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). This code is recognised in the Accounts and Audit Regulations as proper practice.</p> <p>For the financial year 2015-2016 a review of the effectiveness of Internal Audit has been undertaken and this report informs Committee of the findings.</p> <p>As the Section 151 Officer I am satisfied that the Internal Audit service is effective.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to endorse the review.</p>	

### Report

Regulation 6 of the Accounts and Audit Regulations 2015 requires relevant authorities to conduct a review of the effectiveness of its system of internal control at least once a year. Regulation 6 also requires the findings of the review of the system of internal control to be considered by this committee.

The annual review of the system of internal control is contained within the Annual Governance Statement, presented to this committee for approval in September 2016.

There is no longer a requirement within the regulations to review the effectiveness of the Internal Audit service, but as this is considered to be part of the system of internal control an annual review is deemed necessary to complete the system.

As Section 151 Officer I am charged with ensuring an effective internal audit function is resourced and maintained. Having conducted my review, I am satisfied that the Internal Audit service is effective. I have referred to the following documents to support my opinion:

1. Public Sector Internal Audit Standards (PSIAS) - a self-assessment checklist completed by the Head of Internal Audit and reviewed by the Director of Resources;
2. The CIPFA statement on the role of the Head of Internal Audit in local government – a self-assessment completed by the Head of Internal Audit and reviewed by the Director of Resources;
3. The Internal Audit annual report for 2015-2016 – these contain the performance of the service for the last full financial year; and
4. Post audit questionnaires – these are returned by departmental managers to reflect satisfaction with the service.

### **Public Sector Internal Audit Standards**

This is a self-assessment which covers the Authority and its Internal Audit arrangements:

- Scope of Internal Audit
- Independence
- Ethics for internal auditors
- Audit Committees
- Relationships
- Staffing, training and development
- Audit strategy and planning
- Undertaking audit work
- Due professional care
- Reporting
- Performance, quality and effectiveness

The Internal Audit Service is substantially compliant with these standards.

### **The CIPFA statement on the role of the Head of Internal Audit (HIA) in local government**

This self-assessment checklist is split into five standards which are all adopted by the Head of Internal Audit apart from one of the criteria which only applies if the Head of Internal Audit is an employee of the Authority and is therefore not applicable.

### **Internal Audit reports**

The Internal Audit Annual Report for 2015-2016 is presented separately on this agenda.

## **Post audit questionnaires**

Once audits are completed, departmental managers are issued with a satisfaction questionnaire. The questionnaire contains seven questions that are scored on the scale very good, good, satisfactory, below average and poor:

1. Assignment planning and fieldwork – the opportunity for you to comment on the scope and objectives of the audit;
2. Assignment planning and fieldwork – the technical knowledge of the auditor;
3. Assignment planning and fieldwork – the auditors understanding of your service and its business needs;
4. Assignment planning and fieldwork – the professional conduct of the auditor;
5. Reporting – clarity of the report/practicality and relevance of the recommendations;
6. Reporting – the report meeting the audit objectives; and
7. Overall assessment – overall assessment of the audit.

The completed questionnaires are returned to the Director of Resources and it is my expectation that the service should perform to a good standard which equates to an 80% satisfaction rate. From the questionnaires returned for 2015-2016, the Internal Audit service achieved an 88% satisfaction rate.

## Background Papers

Nil

<b>AUDIT COMMITTEE</b>	<b>Part One (D) Agenda Item 14</b>
<b>Date of Meeting: 15th June, 2016</b>	
<b>Reporting Officer: Director of Resources</b>	
<p><b>Title: Annual Review of Audit Committee Effectiveness</b></p> <p><b>Summary and Conclusions:</b></p> <p>The annual review of Audit Committee effectiveness has been undertaken by the Chairman with the Director of Resources. The review is presented here for endorsement by the committee.</p> <p><b>Recommendations:</b></p> <p>Members are recommended to endorse the review.</p>	

### **Report**

The annual review of Audit Committee effectiveness has been undertaken by the Chairman with the Director of Resources.

CIPFA recommend that an assessment is undertaken by the Audit Committee to ensure that its effectiveness is regularly reviewed. CIPFA recommend that this can be achieved by using an evaluation checklist such as CIPFA's Toolkit for Local Authority Audit Committees.

The completed checklist is attached at **Appendix 9**.

There are no issues to address following the review and Members are recommended to endorse the checklist.

### **Background Papers**

Nil

## Audit Committee Self-assessment checklist

Priority	Issue	Yes	No	N/A	Comments/Action
<b>ESTABLISHMENT, OPERATION AND DUTIES</b>					
<b>Role and remit</b>					
1	Does the Audit Committee have written terms of reference	Y			Constitution of the Council.
1	Do the terms of reference cover the core functions of an audit committee as identified in the CIPFA guidance?	Y			Constitution of the Council.
1	Are the terms of reference approved by the Council and reviewed periodically.	Y			
1	Has the audit committee been provided with sufficient membership, authority and resources to perform its role effectively and independently?	Y			
1	Can the audit committee access other committees and full council as necessary?	Y			
2	Does the audit committee periodically assess its own effectiveness?	Y			Annual self-assessment.
2	Does the audit committee make a formal annual report on its work and performance during the year to full council?			N/A	Audit Committee reports to every Full Council.
<b>Membership, induction and training</b>					
1	Has the membership of the audit committee been formally agreed and a quorum set?	Y			3 Members.
1	Is the chair independent of the executive function?	Y			Not on Executive Committee or any other committee.
1	Has the audit committee chair either previous knowledge of, or received appropriate training on, financial and risk management.	Y			Experienced audit committee chair.  Training provided in 2015.
1	Are new audit committee members provided with an appropriate induction?	Y			General Member induction for everyone.  Training provided for Audit Committee.

## Audit Committee

### Self-assessment checklist

Priority	Issue	Yes	No	N/A	Comments/Action
1	Have all Members' skills and experiences been assessed and training given for identified gaps?	Y			Personal Development Plans.
1	Has each Member declared his or her business interest?	Y			Register of interests. Declarations at meeting are a standard agenda item.
2	Are Members sufficiently independent of the other key committees of the Council?	Y			No Members on Audit Committee are on the Executive Committee or the Overview and Scrutiny Committee.
<b>Meetings</b>					
1	Does the audit committee meet regularly?	Y			Quarterly.
1	Do the terms of reference set out the frequency of the meetings?	Y			The original establishment of the Audit Committee set the quarterly meetings – Executive Committee 28 <sup>th</sup> March 2007.
1	Does the audit committee calendar meet the authority's business needs, governance needs, and the financial calendar?	Y			The Statement of Accounts and the Annual Governance Statement go to the September meeting.  Audit Committee annual work plan.
1	Are Members attending meetings on a regular basis and if not, is appropriate action taken?	Y			
1	Are meetings free and open without political influences being displayed?	Y			
1	Does the authority's S151 Officer or deputy attend all meetings?	Y			
1	Does the audit committee have the benefit of attendance of appropriate officers at its meetings?	Y			



# Audit Committee

## Self-assessment checklist

Priority	Issue	Yes	No	N/A	Comments/Action
<b>INTERNAL CONTROL</b>					
1	Does the audit committee consider the Annual Governance Statement (as required by the Accounts & Audit Regulations) including the review of the effectiveness of the system of internal audit?	Y			Draft presented at the June meeting to allow time for consideration before approval at the September meeting.
1	Does the audit committee have responsibility for review and approval of the AGS and does it consider it separately from the accounts?	Y			
1	Does the audit Committee consider how meaningful the AGS is?	Y			
1	Does the audit committee satisfy itself that the system of internal control has operated effectively throughout the reporting period?	Y			Annual Internal Audit report and Annual Governance Statement.
1	Has the audit committee considered how it integrates with other committees that may have responsibility for risk management?	Y			Relationship between Audit Committee and Executive Committee covered in training and risk management policy.
1	Has the audit committee (with delegated responsibility) or the full council adopted "Managing the Risk of Fraud – Actions to Counter Fraud and Corruption?"	Y			The Council's anti-fraud and corruption policies address the requirements of the CIPFA guidance.
1	Does the audit committee ensure that the "Actions to Counter Fraud and Corruption" are being implemented?	Y			Fraud hotline. Reminders to staff about the whistleblowing policy. Hotline statistics reported quarterly.
2	Is the audit committee made aware of the role of risk management in the preparation of the internal audit plan?	Y			

# Audit Committee

## Self-assessment checklist

Priority	Issue	Yes	No	N/A	Comments/Action
2	Does the audit committee review the authority's strategic risk register at least annually?	Y			
2	Does the audit committee monitor how the authority assesses its risk?	Y			
2	Does the audit committee's terms of reference include oversight of the risk management process?	Y			
<b>FINANCIAL REPORTING AND REGULATORY MATTERS</b>					
1	Is the audit committee's role in the consideration and/or approval of the annual accounts clearly defined?	Y			
1	Does the audit committee consider specifically: <ul style="list-style-type: none"> <li>• The suitability of accounting policies and treatments</li> <li>• Major judgements made</li> <li>• Large write-offs</li> <li>• Changes in accounting treatment</li> <li>• The reasonableness of accounting estimates</li> </ul> The narrative aspects of reporting?	Y			
1	Is an audit committee meeting scheduled to receive the external auditor's report to those charged with governance including a discussion of proposed adjustments to the accounts and other issues arising from the audit?	Y			September meeting.
1	Does the audit committee review management's letter of representation?	Y			September meeting.
2	Does the audit committee annually review the accounting policies of the authority?	Y			

## Audit Committee

### Self-assessment checklist

Priority	Issue	Yes	No	N/A	Comments/Action
2	Does the audit committee gain an understanding of management's procedures for preparing the authority's annual accounts?	Y			
2	Does the audit committee have a mechanism to keep it aware of topical legal and regulatory issues, for example by receiving circulars and through training?	Y			Reports to the committee from officers and from the external auditors. Member Personal Development Plans.
<b>INTERNAL AUDIT</b>					
1	Does the audit committee approve, annually and in detail, the internal audit strategic and annual plans including consideration of whether the scope of internal audit work addresses the authority's significant risks?	Y			
1	Does internal audit have an appropriate reporting line to the audit committee?	Y			
1	Does the audit committee receive periodic reports from the internal audit service including an annual report from the Head of Internal Audit?	Y			
1	Are follow-up audits by internal audit monitored by the audit committee and does the committee consider the adequacy of implementation of recommendations?	Y			
1	Does the audit committee hold periodic private discussions with the Head of Internal Audit?	Y			If the need arises/by request.
1	Is there appropriate cooperation between the internal and external auditors?	Y			

## Audit Committee

### Self-assessment checklist

Priority	Issue	Yes	No	N/A	Comments/Action
1	Does the audit committee review the adequacy of internal audit staffing and other resources?	Y			Through the specification of the contract.
1	Has the audit committee evaluated whether its internal audit service complies with CIPFA's Code of Practice for Internal Audit and Local Government in the United Kingdom?	Y			A review of the new Public Sector Internal Audit Standards has been completed.
2	Are internal audit performance measures monitored by the audit committee?	Y			
2	Has the audit committee considered the information it wishes to receive from internal audit?	Y			
<b>EXTERNAL AUDIT</b>					
1	Do the external auditors present and discuss their audit plans and strategy with the audit committee (recognising the statutory duties of external audit)?	Y			
1	Does the audit committee hold periodic private discussions with the external auditor?	Y			As required.
1	Does the audit committee review the external auditor's annual report to those charged with governance?	Y			
1	Does the audit committee ensure that officers are monitoring action taken to implement external audit recommendations?	Y			
1	Are reports on the work of external audit and other inspection agencies presented to the committee?	Y			
1	Does the audit committee assess the performance of external audit?	Y			

# Audit Committee

## Self-assessment checklist

Priority	Issue	Yes	No	N/A	Comments/Action
1	Does the audit committee consider and approve the external audit fee?	Y			
<b>ADMINISTRATION</b>					
<b>Agenda management</b>					
1	Does the audit committee have a designated secretary from Democratic Services?	Y			
1	Are agenda papers circulated in advance of meetings to allow adequate preparation by audit committee members?	Y			
2	Are outline agendas planned one year ahead to cover issues on a cyclical basis?	Y			Annual work plan.
2	Are inputs for Any Other Business formally requested in advance from committee member, relevant officers, internal and external audit?	Y			
<b>Papers</b>					
1	Do reports to the audit committee communicate relevant information at the right frequency, time, and in a format that is effective?	Y			
2	Does the audit committee issue guidelines and/or a pro forma concerning the format and content of the papers to be presented?	Y			Format set for all Council and Committee meetings.
<b>Actions arising</b>					
1	Are minutes prepared and circulated promptly to the appropriate people?	Y			
1	Is a report on matters arising made and minuted at the audit committee's next meeting?	Y			Minutes and resolutions of the meeting.
1	Do action points indicate who is to perform what and by when?	Y			Minutes and resolutions of the meeting.

<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 15</b>
<b>Date of Meeting: 15th June, 2016</b>		
<b>Reporting Officer: Corporate Support Manager</b>		
<p><b>Title: Annual Governance Statement</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with the draft Annual Governance Statement for 2015/16.</p> <p><b>Recommendations:</b></p> <p>Members are invited to consider the report and agree to submit the report and supporting evidence to the District Auditors for their consideration.</p>		

### Report

The Council has responsibility for ensuring that Council business is conducted with the law and proper standards, and that public money is safeguarded and properly accounted for. Part of this governance process is the preparation and publication of an Annual Governance Statement which is a self assessment of how effective we consider our governance arrangements to be. It is a draft document and there are some which will be populated prior to the Final version being presented in September.

The following members of staff were involved in preparing the Annual Governance Statement for 2015/16.

Executive Director: Head of Paid Services.

Director of Resources: S151 Officer.

Assistant Director - Community Services

Assistant Director - Regeneration and the Built Environment

Assistant Director – Housing

Democratic Services Manager: Monitoring Officer.

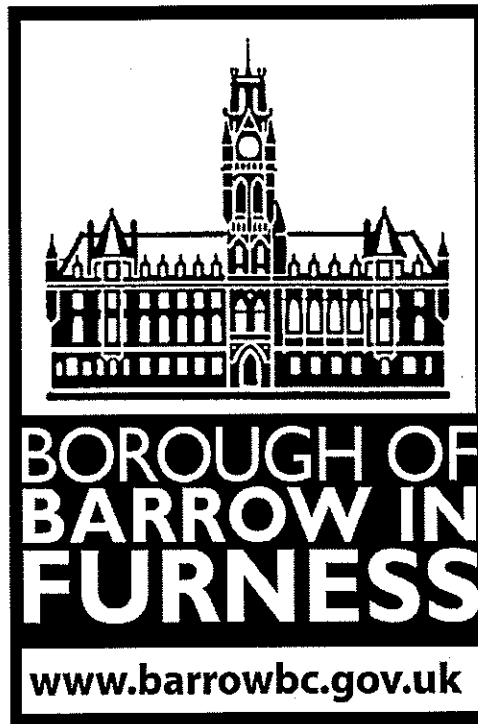
Internal Audit, Manager.

Corporate Support Manager

The Annual Governance Statement is attached as **Appendix 10**

### Background Papers

Nil



<b>Version Control: Version 1 (Draft)</b>	
<b>Document Name:</b>	Annual Governance Statement
<b>Version:</b>	
<b>Author:</b>	Corporate Support Manager
<b>Approved by:</b>	
<b>Date Approved:</b>	
<b>Review Date:</b>	

## **Annual Governance Statement – 2015-2016**

### **Scope and Responsibility**

Barrow Borough Council is responsible for delivering a wide range of statutory and discretionary services to the public and organisations in the area of the Borough. The Council is responsible for ensuring that its business is conducted in accordance with law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

### **Governance**

Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved.

### **The Council's Governance Framework**

Effective governance in the public sector encourages improved decision making and efficient use of resources. Effective governance is characterised by robust scrutiny, which provides important pressures for improving public sector performance and tackling corruption. Effective governance can improve management leading to better service delivery, and, ultimately, better outcomes.

The Council's governance framework comprises the systems and processes, and the culture and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.



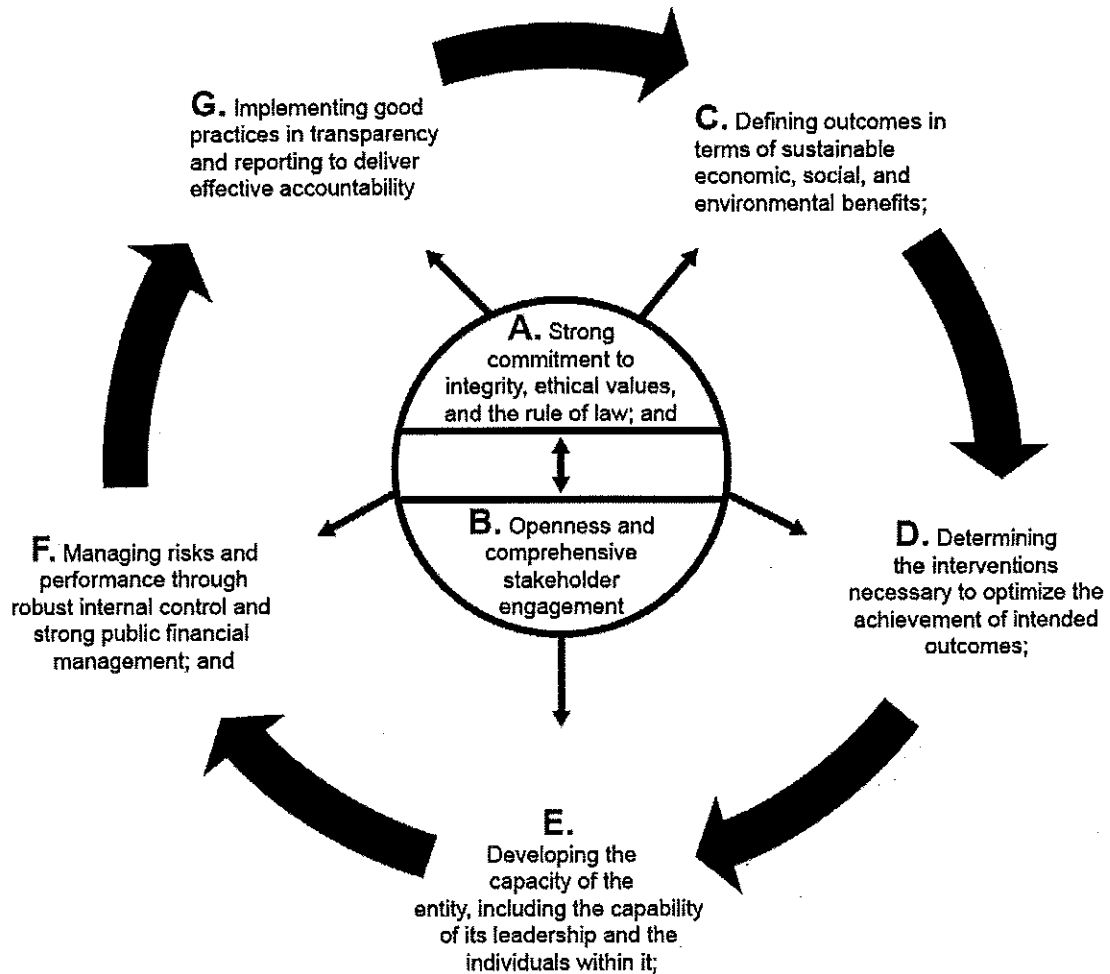
The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable and proportionate level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Barrow Borough Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

CIPFA has developed a framework for good governance in the public sector, based on the 2014 *Good Governance Standard for Public Services*, produced in the UK by the Independent Commission on Good Governance in Public Services. The framework comprises of seven principles of good governance.

**The seven principles of good governance set out in the framework are:**

- A. Strong commitment to integrity, ethical values, and the rule of law.
- B. Openness and comprehensive stakeholder engagement.
- C. Defining outcomes in terms of sustainable economic, social and environmental benefits.
- D. Determining the interventions necessary to optimise the achievement of intended out comes.
- E. Developing the capacity of the entity, including the capability of its leadership and the individuals within it.
- F. Managing risks and performance through robust internal control and strong public financial management.
- G. Implementing good practices in transparency and reporting to deliver effective accountability.

The core principles for good governance in the public sector are high level and bring together a number of concepts. The figure below sets out the relationship between the principles:



## Review of Effectiveness

Barrow Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the executive managers within the Council who have responsibility for the development and maintenance of the governance environment, the head of internal audit's annual report, and also by comments made by the external auditors and other review agencies and inspectorates.

A management group consisting of the following Officers were involved in reviewing this draft Annual Governance Statement

- Executive Director Head of Paid Services
- Director of Resources - S151 Officer
- Assistant Director - Community Services
- Assistant Director - Regeneration and the Built Environment
- Assistant Director - Housing
- Democratic Services Manager - Monitoring Officer
- Internal Audit Manager
- Corporate Support Manager

### **Self Assessment**

The Council has assessed itself against the principles of good governance that are defined in the Local Code of Corporate Governance.

In order to demonstrate that the existing arrangements are fit for purpose and are complied with when carrying out the responsibilities and functions of the Council, a self assessment process has been undertaken and this is supported by an assurance statement completed by the members of the Management Group.

In addition the Council has established a governance group who annually collect assurance information using questionnaires which were completed by departmental managers.

Analysis of this information indicated that there were not any significant assurance issues but that there was scope for some improvement and an action plan will be developed to address this.

Based on the self assessment the Council considers its governance arrangements to be improving and of a higher standard than previous years.

To support the self assessment we reviewed the source documents recommended in the CIPFA guidance schedule and identified additional evidence to demonstrate compliance with the suggested supporting principals of good governance.

The Council's governance arrangements are aligned to the seven principles defined the CIPFA framework for good governance in the public sector, based on the 2014 *Good Governance Standard for Public Services*. We produce an annual Local Code of Corporate Governance which defines what we do to deliver effective governance arrangements.

### **A: Strong commitment to integrity, ethical values, and the rule of law.**

The Council is responsible for using national resources collected through local and national taxation to provide services for our citizens. We are accountable

not only for how much we spend but also for the way we use the resources with which we have been entrusted. In addition, we have an overarching mission to serve the public interest, in adhering to the requirements of legislation and government policies.

Ethical values and standards are defined in the Council's Constitution and should form the basis for all our policies, procedures and actions as well as the behaviour of our Members and officers.

Council officers may be involved with interpreting laws; such activities demand a high standard of conduct that prevents these roles being brought into disrepute. We should demonstrate a strong commitment to the rule of law as well as compliance with all relevant laws.

This makes it essential that we can demonstrate the integrity of all our actions and that we have mechanisms in place that encourage and enforce a strong commitment to ethical values and legal compliance at all levels.

1. The Council maintains shared values including leadership values (openness, support and respect) both for the Council and its officers. These are defined in the constitution and reflect public expectations about the conduct and behaviour of individuals.
2. We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the constitution.
3. We annually adopt formal codes of conduct defining standards of personal behaviour for Members and officers.
4. We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture. Their remit includes the functions formally undertaken by the Standards Committee.
5. We have put in place arrangements to ensure that Members and staff of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.
6. We ensure that systems and processes for financial administration and control, protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.
7. We ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making if appropriate. We have appointed an acting Principal Legal Officer to provide support in accessing professional advice.
8. The Council will appoint statutory officers:

The Executive Director is the Proper Officer.

The Director of Resources is the S151 Officer.

The Democratic Services Manager is the Monitoring Officer.

9. Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.
10. Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.
11. We have put in place effective systems to protect the rights of staff. That policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place. The whistle-blowing service is administered independently by the Internal Audit manager.
12. We have established a governance group with the remit of collecting assurance information across all departments.
13. We will publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.

## **B: Openness and comprehensive stakeholder engagement**

The Council operates for the public good and recognises there is a need for openness about our activities as well as clear channels of communication and engagement with all stakeholders. We must demonstrate that we act in the public interest at all times to maintain public trust and confidence. We should demonstrate clear reasoning for decision making and ensure that this is formally recorded for retrospective public scrutiny.

1. We ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.
2. We have developed and will maintain culture of accountability so that Members and Officers understand to whom they are accountable and for what.
3. We strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public.
4. In 2016/17 we will put in place arrangements to enable the Council to engage effectively with the wider community. These arrangements will

recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands. The Council is improving its website to provide more opportunities for engagement.

5. We publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements.
6. We deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.
7. We ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.

### **C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

The Council has prepared and published a plan which sets out the Council's priorities; a Medium Term Financial Plan which is a financial representation of the Council's Vision and supports the priorities and a Workforce Strategy which demonstrates how we will develop the capability and capacity to deliver the priorities. We will review these documents on a regular basis to ensure they reflect the vision of the Council.

1. We have made a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.
3. We ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.
4. We have identified and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services.
5. We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.
6. We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.

**D: Determining the interventions necessary to optimise the achievement of intended outcomes.**

The Council clearly defines its priorities and plans which are aimed at delivering the outcomes that the Council intends. These will focus on delivering effective and efficient services for the residents. We assess the risks of not achieving those outcomes and ensure that there are mitigating actions in place to support the achievement of intended outcomes. The Council's financial management arrangements ensure that there is adequate resource available to deliver those outcomes. The Council reviews progress against delivering those outcomes through its performance management arrangements. The Council has developed a workforce strategy to ensure that staff have the right skills to achieve our intended outcomes.

1. We have made a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.
2. We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.
3. We will ensure that there are effective arrangements in place to monitor service delivery.
4. We have put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our residents.
5. We have prepared contingency arrangements including disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions.
6. We provide senior managers and Members with timely financial and performance information.
7. We ensure that budget calculations are robust and reserves are adequate.
8. We align financial and performance data to provide an overall understanding of performance.

**E: Developing the capacity of the Council including the capability of its leadership and the individuals within it.**

The Council has developed and will retain a management structure that provides leadership and creates the opportunity for staff to work effectively and efficiently to achieve the Council objectives. We provide training and support to enable staff to develop their skills so they can achieve their full potential.

1. Through the constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.
2. We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and senior officers.
3. We have developed protocols to ensure effective communication between Council Members and officers in their respective roles.
4. We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.
5. We have set out the terms and conditions for remuneration of Members and officers and publish an Annual Pay policy statement in accordance with the requirements of the Localism Act 2011.
6. We have determined a scheme of delegated and reserved powers within the constitution and ensure that the scheme is monitored and updated when required.
7. We ensure that effective management arrangements are in place throughout the organisation.
8. The Head of Paid Services is the Executive Director who is responsible and accountable to the Council for all aspects of operational management.
9. The Chief Financial Officer is a member of the Council's Senior Management Board, with access to the Executive Director and other members of the leadership team.
10. The Section 151 Officer responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.
11. We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council
12. The Monitoring Officer responsible to the Council for ensuring that the constitution is adhered to in terms of lawfulness and legality.
13. We assess the skills required by Members including understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.
14. We assess the skills required by officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.
15. We develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.
16. We ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these



roles are properly understood throughout the Council.

17. We review the scope of the Chief Financial Officer's non-financial areas of responsibility to ensure financial matters are not compromised.
18. We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.

#### **F: Managing risks and performance through robust internal control and strong public financial management.**

The Council recognises the need to implement an effective performance management system that will allow us to deliver services effectively and efficiently. We understand that risk management, internal control and strong financial management are essential for us to achieve our objectives and we have put appropriate arrangements in place.

1. We maintain an effective Audit Committee which is independent of the executive and scrutiny functions.
2. We enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.
3. We ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.
4. We ensure our arrangements for financial and internal control and management of risk to be formally addressed within the annual governance reports.
5. We ensure effective internal control arrangements exist for sound financial management systems and processes.
6. We have established a performance reporting mechanism to ensure that Members and managers are provided with accurate and meaningful performance information.

#### **G: Implementing good practices in transparency and reporting to deliver effective accountability.**

The Council recognises that effective accountability is concerned not only with reporting on actions completed but ensuring stakeholders are able to understand and respond as the Council plans and carries out its activities in an open manner.

1. We comply with the local government transparency code and publish all required and other frequently requested information in a timely manner.
2. We have established a medium term business and financial planning process in order to deliver - a financial strategy ensuring sustainable finances, a robust annual budget process ensuring financial balance and an adequate monitoring process; all of which are subject to regular review.
3. We have put in place effective transparent and accessible arrangements for dealing with complaints.
4. We will maintain an effective scrutiny function which encourages constructive challenge and enhances the Council's performance overall;
5. We maintain an effective Audit Committee which is independent of the Executive and Scrutiny committees.
6. We ensure an effective internal audit function is resourced and maintained.
7. We maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based.
8. We attempt to publish all committee agenda items under "part 1" unless there is the need to preserve confidentiality where it is proper and appropriate to do so.
9. We put in place arrangements for whistle-blowing to which staff and all those contracting with the Council have access.
10. We produce clear, timely, complete and accurate information for budget holders and senior officers relating to the budgetary and financial performance of the Council.
11. We maintain effective arrangements for determining the remuneration of senior staff and publish an Annual Pay Policy statement in accordance with the requirements of the Localism Act 2011.

## **Internal Audit opinion**

An important part of the governance arrangements is the maintenance of an Internal Audit function, which operates in accordance with Public Sector Internal Audit Standards. The effectiveness of the Internal Audit function is examined on an annual basis. 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. The work is delivered through a risk-based approach to the Internal Audit planning process; resulting in the production of an Annual Audit Plan which is approved by the Audit Committee.

The effectiveness of the Internal Audit function is subject to review through the Council's Audit Committee; in addition the Council's External Auditor will place reliance wherever possible on the work carried out by Internal Audit.

This report provides reasonable assurance that the organisation's framework of governance, risk management and control predominantly operated satisfactorily during 2015/16.

"My detailed opinion is that, for the systems reviewed, the Council has basically sound systems of control in place, although there are weaknesses which put some of the system objectives at risk, these mainly relate to areas of contract management and control. The profile of assurance is in our experience comparable to other local authorities, with the majority of Council systems receiving Substantial Assurance.

There are however, two areas where only Restricted assurance can be provided, which relate to:

- Procurement (inc. Ordering); and
- West Shore Coastal Defence Contract.

Weaknesses found as a result of our work, together with our recommendations for improvement, have been included in our reports to senior management and Members. Additional weaknesses identified through the Annual Governance Statement process are recorded separately and reflect the assurance provided from all sources both internal and external".

## **Financial management**

The Director of Resources is the Officer charged with statutory responsibility for the proper administration of the Council's financial affairs, this statutory role is the Chief Financial Officer. In 2010 CIPFA issued a Statement on the Role of the Chief Financial Officer in Local Government, which sets out five principles that define the core activities and behaviours that belong to the role

of the Chief Financial Officer and the governance requirements needed to support them. The Council's financial management arrangements conform to the governance requirements of the Statement.

Director of Resources:

- Leads the promotion and delivery by the whole Council of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- Ensures that budget calculations are robust and reserves and balances are adequate in accordance with CIPFA guidance and best practice.
- Ensures that the appropriate financial information systems, functions and controls are in place so that finances are kept under review on a regular basis.

The Director of Resources will produce a Medium Term Financial Plan (MTFP) based on the Council's Budget Strategy in order to meet the challenge of reduced Central Government funding. The development of the budget strategy is still on-going and this has delayed the publication of the MTFP.

### **Significant governance and internal control issues**

There were no recommendations relating to the Annual Governance Statement in the 2013/14 Annual Audit Letter. There is one on-going action from the previous year regarding the outstanding Business Continuity Plan.

The Council has identified arrangement for ICT disaster recovery and these were implemented. This will facilitate the Council's business continuity arrangements and the Business Continuity Plan has been prepared. Disaster recovery arrangements are in place to allow priority services to operate if the Town Hall cannot be used. Replicate data is collected in real time and stored off-site. Partial testing of this system has been completed to provide confidence that these arrangements are effective. Comprehensive testing has been delayed because of the refurbishment at the crematorium which hosts the microwave repeater. Following the completion of the refurbishment the repeater was found to be irreparably damaged and we are awaiting a replacement.

## Action Plan

Action plan for 2015/16

Action	Responsible officer	Due date
Comprehensive testing of disaster recovery arrangements. This has been delayed because of the refurbishment at the Crematorium and the damage to the repeater which occurred during the refurbishment.	Corporate Support Manager.	July 2016.
Publication of the MTFP. The Council will agree the budget strategy with Elected Members and prepare and publish the MTFP	Executive Director and Director of resources	September 2016

## **J. Certification Statement**

The review of the governance arrangements for the financial year 2015-2016 has not highlighted any areas of major concern for the Council. We believe that the existing arrangements are fit for purpose and are adequate to meet the Council's corporate aims.

Councillor Mrs A Burns

Chairman of the Audit Committee

P Huck

Executive Director

<b>AUDIT COMMITTEE</b>	<b>(D) Agenda Item 16</b>
<b>Date of Meeting: 15th June, 2016</b>	
<b>Reporting Officer: Corporate Support Manager</b>	
<p><b>Title: Risk Management Report</b></p> <p><b>Summary and Conclusions:</b> Provide Members with the Council's Risk Registers for 2016/17.</p> <p><b>Recommendations:</b> Members are invited to note the Risk Registers for 2016/17.</p>	

### Report

Management Board reviewed and identified key corporate and operational risks for the Council at their meeting of 21st April, 2016. The updated risk registers, reflects the management Board's assessment of significant risks to the Council.

The corporate risk management register has been reviewed and the following changes have been made:

- Corporate risk 2 – 2016/1 (Future finance stability and sustainability of the Council). The mitigating actions have been re-written to reflect changes to the MTFP. This may require further changes once a budget strategy is agreed. The mitigated risk score has been increased from 16 to 20.
- Corporate risk 4 – 2016/1 (Level of sickness worsens). Minor changes have been made to the impact to include additional costs if we have to employ temporary staff. Mitigating actions have been updated to reflect changes to the absence management policy.
- Corporate risk 5 – 2016/1 (Impact of welfare changes). Responsibility for this risk has moved from Assistant Director – Housing to Management Board because this impacts on the whole Council.
- Corporate risk 6 – 2016/7 (Delivery of the water front regeneration programme). The potential impact has been updated to reflect current opportunities.
- Corporate risk 10 – 2016/1 (Effective workforce planning). This is a new risk which recognises the need to recruit and develop staff to meet the future needs of the Council.

The corporate risk register for 2016/17 is attached as **Appendix 11**

The operational risk register has been reviewed, 1 risk (Inadequate cash flow for operational purposes) has been removed because it is no longer considered a significant risk.

### Background Papers

Nil.

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<p><b>Corporate 1 2016/1</b> Legislative changes will impact on the Housing Revenue Account Income.</p>	5	5	25	<p>Imposed 1% rent reduction year on year for 4 years. (est total loss in budget of c10% over the 4 years) - welfare reform changes, in particular the continued impact of the bedroom tax, and the implementation of universal credit. (70% of tenants are dependant on welfare benefits, and for example, we estimate c£116k of rent arrears are attributable to bedroom tax. Although the numbers on universal credit remain low experience is showing it is proving difficult to collect rent from such recipients)</p>	<p>The Housing Service is drafting its next Business Plan which will agree The Service will deal with The threats to income over The next four years in particular. - The Housing Service has and is implementing a range of initiatives within its operational arrangements to deal with welfare reform. This ranges from The change in focus of Housing officers and up-skilling to engagement with potential residents with emphasis on ensuring they have budget plans in place from The start of their new tenancy. Equal priority is also afforded to existing tenants to ensure they have The necessary budget plans and arrangements in place to meet their Housing costs. new Technology solutions are also being progressed to improve The management of tenancies.</p>	Assistant Director - Housing	5	4	20



<p><b>Corporate 2 2016/1</b> Future financial stability and sustainability of the Council.</p>	<p>5</p>	<p>Without sufficient funding plans discretionary services may be at risk of reduction or closure.</p> <p>Statutory services may be delivered with reduced service levels.</p> <p>Staff redundancies may not be avoidable.</p> <p>Funding to external bodies may be reduced.</p> <p>The Council's capital programme and treasury management strategy must be affordable and reduced revenue resources may impact on the Council's plans.</p> <p>The overall capacity of the Council to deliver services may need to be scaled down and may fall below users expectations.</p> <p>The 2019-2022 projected £2.37m deficit to be reduced through the next Budget Strategy</p>	<p>The Council's Medium Term Financial Plan has been projected out to 2019-2020 and was presented to the Executive Committee on the 9<sup>th</sup> March, 2016. All of the assumptions are clearly shown and will continue to be reviewed during the life of the Budget Strategy. The Budget Strategy development process is underway. Through the Budget Strategy, the Medium Term Financial Strategy aim of eliminating the deficit in the core budget will be delivered. This will require the use of the reserves set aside for support and pacing the changes, to achieve longer term financial resilience. The impacts of the Budget Strategy will be closely monitored by Management Board, including the impacts on the workforce. The Council has a Workforce Strategy which provides a clear commitment to employees.</p> <p>Along with the Budget Strategy, the Council will review and publish its Plan, Priorities and Objectives for the coterminous period.</p> <p>The Council is somewhat limited in the additional external funding it can access, but wherever possible bids are submitted where grants are available; this is for projects and not for sustainable services. In order to maximise the grant funding brought into the Borough, the Council increasingly works with other organisations to draw funding in; in most cases taking on the role of accountable body.</p>	<p>Executive Director and Director of Resources</p>	<p>5</p>	<p>4</p>	<p>20</p>
<p><b>Corporate 3 2016/1</b> Failure of external partner, service providers or contractors</p>	<p>3</p>	<p>This is likely to result in the suspension of some service while alternative service providers are identified</p>	<p>The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors</p> <p>The Council retains the intellectual property and assets that will support continuity of services</p>	<p>Management Board</p>	<p>3</p>	<p>4</p>	<p>12</p>

<p><b>Corporate 4 2016/1</b> Level of sickness worsens</p>	4	4	16	<p>A significant increase may impact on the Council's capacity to deliver services. An increase in sickness absence may result in the need for temporary staff thereby increasing costs.</p>	<p>The Council has put a number of measures in place to reduce the current levels of sickness. Details of sickness management will be reported to Management Board on a quarterly basis.</p>	Director of Resources	3	3	12
<p><b>Corporate 5 2016/1</b> Impact of Welfare Reform changes</p>	4	4	16	<p>Corporate 1 2016/1 Increasing numbers of residents experience low incomes and risk homelessness.</p>	<p>1. Continue to support and work with advice agencies throughout the Borough to assist residents to receive appropriate advice. 2. Maximise the Discretionary Housing Payments fund and assist residents in the most challenging financial circumstances to look for longer-term solutions to their problems. 3. The Council has developed a Homeless Strategy based on our approach of preventative work to assist residents under threat of losing their homes and assist those who are homeless, to resolve their issues. Reduced grants for Local Government Council Tax Reduction Scheme are not passed on as reduction in entitlement. Continue to invest in group repair schemes to enhance the properties and environment. Continue to offer disabled facilities grants and disabled adaptations.</p>	Management Board	4	3	12
<p><b>Corporate 6 2016/1</b> Delivery of the water front regeneration programme</p>	4	4	16	<p>Failure to deliver the programme will damage the profile of Barrow as a place to live and work. There is currently an active market in private sector residential development which would make the Marina Village of interest to private sector developers.</p>	<p>The Council is committed to complete the site assembly. The project can progress in phases subject to the availability of funding. The Council has received market research from Gerald Eve and Bruce Owen. The first access into the site has obtained planning permission and construction will commence in Q3.</p>	Executive Director	3	3	9

<p><b>Corporate 7 2016/1</b> Maintain H&amp;S arrangements and target services for improvement.</p>	<p>2</p>	<p>5</p>	<p>10</p>	<p>Members of the public and Council employees could be put at risk by Council operations</p>	<p>The establishment of the Technical Services Team and the Health &amp; Safety Management Group has strengthened the Council's H&amp;S arrangements. Health &amp; Safety systems will be kept under review. All staff have received electronic H&amp;S training. Agreed H&amp;S improvement plan in the process of implementation. High risk services will be targeted for improvement</p>	<p>Executive Director</p>	<p>2</p>	<p>3</p>	<p>6</p>
<p><b>Corporate 8 2016/1</b> Capacity to undertake statutory inspections, investigations and enforcement action.</p>	<p>5</p>	<p>5</p>	<p>25</p>	<p>Compliance with statutory targets may be compromised. Response time for investigations and enforcement action may be compromised.</p>	<p>Consultancy services are brought in as required for specific issues or to backfill where Council officers deal with complex cases The administrative process leading to enforcement action will be referred to the Business Improvement Team in 2016; it is hoped that a common approach prior to action, will streamline the Council's regulatory enforcement work.</p>	<p>Assistant Director - Regeneration and Built Environment</p>	<p>4</p>	<p>4</p>	<p>16</p>
<p><b>Corporate 9 2016/1</b> Information Technology security breach</p>	<p>3</p>	<p>5</p>	<p>15</p>	<p>Corrupt systems and loss of data. Withdrawal of Public Sector Network access. System downtime impacting on service delivery.</p>	<p>Up-to-date Information Security Policy. Staff using email and internet sign up to the Policy. Management overview of email and internet usage. Individual virtual servers for discrete business areas. Business continuity plan. Symantec has been set up on all windows machines to provide a level of protection against virus', spyware and other threats. E-training for email and internet vigilance has been delivered to all staff. Virtual desktops provide more controlled environment which further limits the possibility of breaches.</p>	<p>Director of Resources</p>	<p>1</p>	<p>3</p>	<p>3</p>

<p><b>Corporate 10</b> <b>2016/1</b> Effective workforce planning</p>	4	4	16	<p>Potential impact – Without effective workforce planning, service delivery and service quality are placed at risk. If adequately qualified and experienced officers are not in place, the risk of service failure and customer dissatisfaction increase and the risk of regulatory failure may need to be addressed. Without a transparent commitment from Management and the Administration, the workforce may be less inclined to remain with the Council for the longer term and seek out a career elsewhere.</p>	<p>Mitigation – The Council has a Workforce Strategy which will be reviewed and updated with the Council Plan and associated documents. Management and the Administration are aware that the Council's workforce is the most valuable resource in achieving service delivery and customer satisfaction. Development, training and succession planning are keys to the retention of the workforce and in recruiting new employees. Where there are skills gaps, the Council will look to fill that gap with training and in the short term look to consultants or other skilled professionals to ensure service continuity. The Council will only look to retain consultants on a short term basis, as and when required, to allow time for the required skills and knowledge to be acquired by the workforce.</p>	Director of Resources	4	3	12
<p><b>Corporate 11</b> <b>2016/1</b> Incidents of fraud, bribery or corruption</p>	2	2	4	<p>It would indicate a failure of the Council's systems. Loss of money. Loss of reputation and confidence.</p>	<p>Fraud and corruption policy in place for staff and Members. Effective whistle blowing policy in place. Monitoring of standards and checks by Internal Audit</p>	Director of Resources	1	2	2
<p><b>Corporate 12</b> <b>2016/1</b> Major incident affecting service delivery</p>	1	5	5	<p>Widespread damage due to fire, flooding or severe weather.</p>	<p>Business continuity plan. Contingency plans. Remote access to Council systems</p>	Executive Director	1	4	4
<p><b>Corporate 13</b> <b>2016/1</b> Major incident affecting ICT systems</p>	1	4	4	<p>Damage to Council's ICT infrastructure due to fire or flooding. Failure of ICT systems may adversely affect service delivery.</p>	<p>Disaster recovery plan Business continuity plan. Contingency plans. Remote access to Council systems Offsite replicate server has been established.</p>	Director of Resources	1	3	3

Operational risks March 2016

Threat	Likely hood	Impact	Impact score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	Impact score
<b>Operational 1 2016/17/1</b> Not having adequate staffing to deliver key services.	4	5	20	Key services, including statutory services and demand led services cannot be delivered or delivered at an unacceptably low level.	<p>The many customer facing services have been contracted out and therefore staffing lies with the contractor. Housing and leisure are still in house and we will manage staffing levels</p> <p>Management Board co-ordinate leave to ensure that senior management is available.</p> <p>Staff holiday planning is undertaken by the managers within departments.</p> <p>Consultancy services are used where unplanned absences will result in statutory services being adversely affected. The Council has also agreed mutual aid arrangements for professional support with other local authorities.</p>	Management Board	3	4	12
<b>Operational 2 2016/17/1</b> Access to operational buildings.	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	<p>The Council has a Business Continuity Plan.</p> <p>Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities.</p> <p>Key back office functions performed in the Town Hall can be carried out from other operational buildings.</p> <p>There are several key holders for each operational building.</p>	Executive Director	1	3	3

Operational risks March 2016

Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
<b>Operational 3 2016/17/1</b> Unable to collect household waste.	3	5	15	Households would potentially have side waste if the refuse container filled up due to delays in collections. There are health and safety issues with holding waste and particularly side waste for householders.	The waste collection service is contracted out. There is a waste management snow plan. There is capacity within the week to put on additional collections to catch up from any delays.	Assistant Director - Community Services	2	3	6
<b>Operational 4 2016/17/1</b> Unable to pay housing benefits to claimants.	3	5	15	Housing benefit recipients would be unable to pay their rent and this may jeopardise their tenancies.	The BACS file is produced by the Council's contractor a day ahead of time. The Council has support for BACS from its supplier and from its bank. Payments can be made by alternative methods in exceptional circumstances.	Director of Resources	2	2	4
<b>Operational 5 2016/17/1</b> Reduced income may challenge the Council's ability to focus on any more than the decent homes standard and delay investment in the wider environment or the upkeep of communal areas on estates	3	5	15	The Housing Service seeks to ensure the majority of its investment is delivered through a procurement club which adds value, capacity and ensure value for money.	Regular stock surveys are completed and communication with tenants ensures available resources are focused appropriately.	Assistant Director - Housing	2	3	6

Operational risks March 2016

Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
<b>Operational 6 2016/17/1</b> Welfare reform changes will impact on the cost of the Council providing temporary accommodation and the up-turn in the local economy is impacting on the availability of the private sector accommodation such as Bed and Breakfast. 4	4	4	16	The Council will find it increasing difficult to provide suitable temporary accommodation.	The Council will carryout a review of the options of providing temporary accommodation and seek a model that ensures suitable accommodation is provided and full cost recovery from recipients.	Assistant Director - Housing	4	3	12
<b>Operational 7 2016/17/1</b> Unplanned outage of the cremator.	2	5	10	Services are pre-booked and there would be disruption to users in rescheduling or transferring the services. There would be a loss of income.	The cremator is regularly checked by crematorium staff and by the contracted maintenance provider. Arrangements exist with a neighbouring crematorium for the planned outage that occurs when the Council's cremator is re-lined.	Assistant Director - Community Services	2	3	6
<b>Operational 8 2016/17/1</b> Failure of swimming pool filters or other equipment and downtime for major maintenance work.	2	4	8	The swimming pool would be unavailable to users until fixed. If the outage ran over weeks, the gym & swim members may request a partial refund. There would be a loss of income.	The daily checks carried out on the swimming pool and associated plant would identify potential areas of concern and the appropriate contractor would be brought in to address the issues raised.	Assistant Director - Community Services	2	3	6

Operational risks March 2016

Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
<b>Operational 9 2016/17/1</b> Significant breach of the Council IT network	5	5	25	Unauthorised access to sensitive financial information which may result loss of monies. Unauthorised access to personal data which may leave to Council vulnerable to litigation. Infection of the Council's network by malicious viruses which may prevent the Council carrying its normal duties. The Council loses access to the Public Sector Network which increase operating costs and impact on us delivering Council services effectively.	The Council has implemented the controls required to comply with the Public Sector Network requirements including robust penetration testing to identify and address weaknesses. Installation of Semantec mail filtering, Bloxx web filtering, robust firewalls, antivirus software. Third party support which includes installing up to date versions and patches to reduce the risk of unauthorised access or infections. E-learning programme on IT security for all staff	IT Team Leader	1	5	5
<b>Operational 10 2016/17/1</b> Significant system failure	2	3	6	Unable to effectively conduct normal business activities. Loss of historical work and data. Failure to meet deadlines	On-going monitoring of system performance. Disaster recovery arrangements in place with off-site real time replication of data. External support and maintenance contacts in place with appropriate Service Level Agreements	IT Team Leader	1	3	3
<b>Operational 11 2016/17/1</b> Unmanaged access to Council network	3	2	6	Uncontrolled interventions which may inadvertently impact on the Council's network leading to system downtime.	Change control procedure in place. External access by third parties is risk assessed.	IT Team Leader	1	2	2



<b>AUDIT COMMITTEE</b>		<b>Part One (D) Agenda Item 17</b>
<b>Date of Meeting:</b>	<b>15th June, 2016</b>	
<b>Reporting Officer:</b>	<b>Corporate Support Manager</b>	
<p><b>Title:     Monitoring Priority 1 Recommendations</b></p> <p><b>Summary and Conclusions:</b></p> <p>Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.</p> <p><b>Recommendations:</b></p> <p>Members are invited to consider the report and determine whether further action is required</p>		

### **Report**

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

To ensure all agreed Internal Audit Priority 1 recommendations are implemented in a timely manner they are now tracked by Management. There are one priority 1 recommendations from the West Shore Coastal Defence audit report (CR96) and progress against these is detailed in table 1.

There is an outstanding Priority 1 recommendation from 2012/13 relating to the Council's business continuity arrangements and progress against this is detailed in Table 1.

### **Background Papers**

Nil.

**Table 1: Barrow Borough Council Priority 1 Recommendations**  
**2015/16**

Audit Report	Recommendation	Responsible Officer	Current position
West Shore Coastal Defence CR96	<p>The Property Services Group Manager should:</p> <ul style="list-style-type: none"> <li>a) investigate the inconsistency between the tender sum and the contract sum for this contract;</li> <li>b) identify any residual risk or liability for the Council;</li> <li>c) ensure that the tenders for future schemes are reported accurately to Members; and</li> <li>d) ensure that future contracts accurately reflect the underlying tender.</li> </ul>	Property Services Group Manager	<p>The Capita Project Manager has advised that the contractor made a couple of typos in his submission when transposing the figures from section 10 to section 7. The actual tendered total of prices is that recorded in Contract Data Part 2 (section 7) and thus that was what he was paid. The signed form of tender and agreement should have stated the £180,612.00 sum.</p> <p>The final total invoiced was £180,612.00, which is the figure understood to be correct by all parties. I do not consider that there is any residual risk to the Council, or any realistic prospect of the contractor coming back for an additional payment.</p> <p>It is accepted that the position is confusing and that the correct figures should be reported in future.</p> <p>The Council has arrangements in place to minimise this risk and will strengthen these arrangements when the Procurement Officer is in post</p>

## Barrow Borough Council Priority 1 Recommendations 2012/13

Audit Report	Recommendation	Responsible Officer	Current position
<b>RISK MANAGEMENT - BUSINESS CONTINUITY (11-08)</b>	ICT disaster recovery arrangements are in place and are being tested. A regular Testing programme is being developed to ensure that the arrangements are robust.	Corporate Support Manager	ICT disaster recovery testing is on-going and will be completed in June/July 2016