

# BOROUGH OF BARROW-IN-FURNESS

## AUDIT COMMITTEE

Meeting, Thursday, 22nd December, 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 15th September, 2016 (copy attached) (Pages 1-12).
- 6 Apologies for Absence/Attendance of Substitute Members.

#### FOR DECISION

- (D) 7. Internal Audit Final Reports (Pages 13-14).
- (D) 8. Internal Audit Progress Report (Page 15).

- (D) 9. External Audit Annual Audit Letter (Page 16).
- (D) 10. External Audit Certification Letter (Page17).
- (D) 11. External Audit Progress and Update Report (Page 18).
- (D) 12. Barrow Town Hall Roof (Page 19-20).
- (D) 13. Ombudsman Report (Pages 21-22).
- (D) 14. Auditor Appointment (Pages 23-24).
- (D) 15. Audit Committee 2017-2018 (Page 25).
- (D) 16. Risk Management (Page 26).
- (D) 17. Monitoring Priority 1 Recommendations (Page 27).

## **PART TWO**

- (D) 18. Barrow Playing Field Users Association (Pages 28-29).

**NOT FOR PUBLICATION BY VIRTUE OF PARAGRAPH 3 OF PART ONE OF SCHEDULE 12A OF THE LOCAL GOVERNMENT ACT 1972 AND ACCESS TO INFORMATION (VARIATION) ORDER 2006**

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

### **Membership of Committee**

Councillors: Burns (Chair)  
Seward (Vice-Chair)  
Blezard  
Callister  
Gawne  
Murray

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

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Published: 14th December, 2016

**AUDIT COMMITTEE**

Meeting Thursday 15th September, 2016  
at 2.00 p.m.

**PRESENT:-** Councillors Burns (Chairman), Gawne, Murray and Seward.

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

Also present were Jackie Bellard and Maeve Morgan from Grant Thornton and Keith Jackson from Internal Audit (Minute Nos. 13, 14, 21 and 22 only).

**13 – Minutes**

The Minutes of the meeting held on 15th June, 2016 were taken as read and confirmed.

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

Apologies for absence had been received from Councillor Callister and Neil Krajewski from Grant Thornton.

**15 – Audit Committee Assurance**

The Director of Resources reported that the External Auditor had requested that the Chairman of the Audit Committee explained how the Audit Committee gained assurance from management. This request was attached to the report along with the Chairman's response.

**RESOLVED:-** To receive and endorse the Chairman's response.

**16 – Statement of Accounts**

The Director of Resources reported that the Statement of Accounts summarised the transactions for 2015-2016 and the Council's financial position as at 31st March, 2016. The Statement of Accounts was intended to provide readers with clear information about the Council's finances and use of resources over the year.

The audited Statement of Accounts was attached as an appendix to the report. The report was an executive summary of the Narrative Report, which was itself a summary of the Statement of Accounts.

In accordance with the Accounts and Audit Regulations, the draft Statement of Accounts was made available to the External Auditors, Grant Thornton, by 30th June, 2016, and was published on the Council's website.

The audited Statement of Accounts incorporated revisions from the audit and must be approved by the Audit Committee by 30th September, 2016, and be published alongside the Annual Governance Statement.

## Narrative Report

2015-2016 introduced the Narrative Report and removed the finance focussed Explanatory Foreword from the Statement of Accounts. The Narrative Report requirements had been reflected in the content and structure for 2015-2016 and this would continue to develop as best practice emerged.

The Narrative Report contained information about the Council itself in terms of location, environment, population and economy. The corporate achievements for 2015-2016 were included and were:-

<p><b>Housing: choice and quality</b></p>	<p><b>Regeneration &amp; Public Realm: enhancement</b></p>
<ul style="list-style-type: none"> <li>• 95 private sector properties were refurbished with Cluster of Empty Homes funding.</li> <li>• The authority improved the residential frontage through the Rawlinson Street group repair scheme.</li> <li>• The authority published its Local Plan Preferred Options draft.</li> <li>• The authority agreed the release of land in its ownership for housing development.</li> <li>• The authority secured £48k New Lives grant to fund supported housing for female victims of domestic abuse with the Women's Community Matters.</li> </ul>	<ul style="list-style-type: none"> <li>• The authority refurbished Thorncliffe crematorium and chapel.</li> <li>• The authority agreed to be the Local Trusted Organisation for the £650k Cavendish Park Pavilion and Community Room project with the Barrow Island Community Sports Trust.</li> <li>• The authority secured £10k to support Art Gene in forming a Coastal Community Team.</li> <li>• The authority committed £20k funding towards a town centre traffic management study.</li> <li>• Site access for Marina Village was approved through the Local Enterprise Partnership.</li> </ul>
<p><b>Local Economy: long term security</b></p>	<p><b>Service Delivery: value for money</b></p>
<ul style="list-style-type: none"> <li>• The authority secured £865k of Coastal Communities Fund for the supply chain project.</li> <li>• The authority awarded 6 shop front grants.</li> <li>• A Business Improvement District was agreed by the town centre retail and business community.</li> <li>• The Waterfront remediation work was granted planning permission.</li> <li>• The authority delivered support for low income families through council tax support (4,089 households), discretionary housing payments (188 recipients) and disabled facilities grants (67 grants).</li> <li>• The authority agreed support for Universal Credit with the DWP and the Citizens Advice Bureau.</li> </ul>	<ul style="list-style-type: none"> <li>• The authority achieved and sustained the 2012-2016 Budget Strategy reductions of £5m.</li> <li>• Park Leisure Centre online bookings were introduced.</li> <li>• The Customer Services Strategy was approved.</li> <li>• Performance appraisals were completed for all staff.</li> <li>• The absence management policy was approved.</li> <li>• The second annual staff survey was completed.</li> <li>• The authority's IT network infrastructure and data lines were upgraded.</li> <li>• The replacement Housing Management System project was initiated.</li> </ul>

<ul style="list-style-type: none"> <li>• The authority provided welfare advice and assistance to its tenants.</li> <li>• The authority secured £483k from Public Health England with The Well Community Interest Company (CIC).</li> </ul>	<ul style="list-style-type: none"> <li>• The integrated HR and Payroll System project was initiated.</li> </ul>
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Corporate aims and achievements were monitored by the Executive Committee which also monitored service performance indicators. The primary indicators were shown, with the previous year included for comparison:

2014/15	Description	2015/16
17.9 days	Average time to process:	16.2 days
17.7 days	• new housing benefit claims	16.2 days
5.2 days	• new council tax support claims	4.9 days
5.3 days	• changes in circumstances for housing benefit claims	5.3 days
	• changes in circumstances for council tax support claims	
33.6%	Average household recycling	31.5%
60%	Major planning applications processed within 13 weeks	61.5%
94%	Land charge searches completed within 5 working days	95.2%
96.76%	Council tax collected	96.85%
98.69%	Business rates collected	98.73%
3.6%	Housing stock current tenant rent arrears	3.3%
78.4%	Housing stock responsive fabric repairs completed on time	86.6%
12.32 days	Sickness averaged per employee	9.76 days

The Narrative Report contained the following financial headlines for 2015-2016:

- The £5m reduction in the General Fund revenue costs, achieved through the delivery of the 2012-2016 Budget Strategy was sustained in 2015-2016.
- The General Fund revenue account was balanced with a contribution to earmarked reserves of £508k:
  - £217k of reserves was used as planned and in accordance with matters reported to the Executive Committee for 2015-2016.
  - An unplanned £725k was added to reserves at year-end from:
    - Housing benefit subsidy subject to audit £241k; and
    - Service cost savings, reductions and additional income £484k:
      - it was necessary to place £173k of this into the business rate income volatility reserve to fund known liabilities; and
      - the £311k balance was added to the budget contingency reserve.
  - The service cost savings, reductions and additional income were all reviewed and determined to be a mixture of items already brought into the 2016-2017 budget setting process or were one-off items that will not recur.
  - Detailed analyses of the service area variances and the use of reserves were presented to the Executive Committee on 27th July, 2016.

- The Housing Revenue Account used some of its accumulated fund balance to pay for the housing maintenance commitment which was reported to the Executive Committee on 2nd December, 2015, and also reduced the voluntary provision to repay debt for 2015-2016.
- The Council's share of the Collection Fund for the year was a surplus of £108k for council tax and a deficit of £935k for business rates; these are distributed in later years.
  - The accumulated surplus for council tax at 31st March, 2016, was £198k and the accumulated deficit for business rates £1.301m; the business rate income volatility reserve stands at £1.301m at 31st March, 2016.
- The Balance Sheet presents the Council's net worth and this has decreased by £4.6m, largely attributable to the decrease in the pension liability of £3.9m.
- Usable reserves have decreased by a net £1.3m:
  - £0.5m increase in General Fund reserves
  - £0.2m reduction in Housing Revenue Account reserves
  - £1.6m reduction in capital reserves
- The Capital Programme of £3.2m was financed without any new borrowing.
- For the Treasury Portfolio:
  - Debt remained at £39.5m; £13.4m General Fund and £26.1m Housing Revenue Account.
  - Temporary investments generated £140k for 2015-2016 and at 31st March, 2016, £11m was invested, short term, with financial institutions.
- Provisions were all reviewed at the year end and after the required adjustments, were judged to be sufficient; bad debt provisions and the business rate appeals provision.

The Narrative Report included a note on the financial resilience of the Council and the steps taken to ensure it would be financially resilient. The primary actions were to agree a 2016-2020 Budget Strategy that eliminated the £2.37m deficit projected in the Medium Term Financial Plan, to refresh the Council Plan and Objectives that flow from the Council Priorities, and to refresh the Workforce Development Strategy incorporating the new Human Resources software which would provide workforce and resource planning information to managers.

The Council's workforce consisted of 250 posts, 197 in the General Fund and 53 in the Housing Revenue Account. The posts were worked by 203.16 full time equivalents, 154.81 in the General Fund and 48.35 in the Housing Revenue Account. The Workforce Development Strategy presented the Council's plans and ambitions for its staff.

## Sections within the Statement of Accounts

The other sections within the Statement of Accounts were the same as previous years and contained further information on the financial performance for 2015-2016:

- Statement of Responsibilities – for the Council and for the Director of Resources.
- Movement in Reserves Statement – summary of the movement during the year for usable and unusable reserves and the statutory adjustments required arriving at the council tax requirement (dwelling rent setting for the Housing Revenue Account).
- Comprehensive Income and Expenditure Statement – summary of all services' accounting costs for the year.
- Balance Sheet – the value of the Council's assets and liabilities at the year end, the net assets were matched by the reserves held at the year end.
- Cash Flow Statement – the changes in the Council's cash and cash equivalents for the year, these were split between operating, investing and financing activities.
- Notes to support the main accounting statements.
- The Housing Revenue Account and supporting notes.
- The Collection Fund and supporting notes (council tax and business rates).

The Committee thanked the Director of Resources, the Finance Team and the External Audit Team for the hard work involved in completing the Statement of Accounts.

RESOLVED:- To receive the Statement of Accounts for 2015-2016.

## **17 – Assurance Statements**

The Corporate Support Manager provided Members with the output from the analysis of the departmental assurance statements from 2015/16.

The Council was required to publish an Annual Governance Statement (AGS) on the effectiveness of its internal control framework.

The report provided evidence to support the Annual Governance Statement. Service Managers had been requested to complete an assurance questionnaire which demonstrated that they were aware of assurance controls that needed to be in place. The questionnaires also provided an overview of whether staff were aware of and knew how to access a range of key Council policies.

This year the questions were revised to provide a more complete picture of assurance and identify areas for improvement. All 16 service areas returned completed questionnaires which provided a good overview of the current level of assurance.

The outputs from the questionnaire were analysed by the Corporate Support Department and the information indicated that there were not any significant assurance issues.

It was clear that all managers and staff had a good understanding of the budget strategy and financial management, dealing with complaints and identifying skill requirements within their team. There was scope for some improvement particularly around performance monitoring, staff meetings and contracts.

An analysis of the assurance gathering questions was detailed in the report.

RESOLVED:- To note the report.

## **18 – Annual Governance Statement**

The Director of Resources provided Members with an updated Annual Governance Statement for 2015/16.

The Council had responsibility for ensuring that Council business was conducted within the law and proper standards, and that public money was safeguarded and properly accounted for. Part of this governance process was the preparation and publication of an Annual Governance Statement which was a self-assessment of how effective the Council considered the governance arrangements to be.

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

- Executive Director
- Director of Resources: S151 Officer
- Assistant Director of Community Services
- Assistant Director of Regeneration and the Built Environment
- Assistant Director of Housing
- Members of the Governance Group
- Internal Audit, Manager
- Democratic Services Manager: Monitoring Officer
- Corporate Support Manager

The Annual Governance Statement was presented to this Committee in June and following discussions with the Auditor from Grant Thornton, the Internal Audit Manager and the Assurance Group only minor amendments had been made.

The Annual Governance Statement for 2015/16 and links to the evidence supporting the statement were attached as appendices to the report.

RESOLVED:- To receive the Annual Governance Statement.

## **19 – Audit Findings Report**

Jackie Bellard attended the meeting to present the audit findings report to Members. The report highlighted any significant items arising from the audit process for the benefit of the Audit Committee.



The External Auditor was required to issue the report at the conclusion of the audit, noting any adjustments made to the draft accounts as published.

Subject to Members agreeing the Letter of Representation, the External Auditor would give an unqualified audit opinion.

The External Auditors had not had to alter or change their order approach, which was communicated in the Audit Plan and presented to the Audit Committee on 3rd March, 2016.

The audit was substantially completed although procedures were being finalised in the following areas:-

- Obtaining assurance over the receipt of amounts held in the Balance Sheet at 31st March, 2016 in respect of Council Tax, Business Rates and Housing Rent debtors;
- Obtaining and reviewing the management Letter of Representations;
- Review of the final version of the Annual Governance Statement;
- Updating the post balance sheet events review, including consideration of significant Business Rate appeals settled after the year-end to the date of signing the opinion; and
- Providing the assurance statement in respect of the Whole of Government Accounts return.

With effect from the 2017/18 financial year, a change in the regulations governing the audit timetable comes into effect. Authorities would be required to publish their unaudited accounts by 31st May and the audit would need to be concluded by 31st July. The External Auditors were currently discussing with management whether there was scope to undertake a 'dry run' next year in advance of the implementation of the new timetable.

The External Auditors had reviewed the Council's narrative report. They had agreed some changes with the Director of Resources so that appropriations to and from earmarked reserves were disclosed more concisely to help users of the statements interpret the information provided. They confirmed that, in the majority of areas, the content recommended by CIPFA had been incorporated.

Looking forward to next year, management had agreed to consider including:-

- Details of forward plans, particularly with regard to the capital programme and the sources of funding available to support that programme; and
- Details of the interest payable for the year and consideration of the position presented in the Council's cash flow statement.

The External Auditors team had undertaken the audit in a professional and constructive manner and the Director of Resources took the opportunity to thank the Audit Team.

RESOLVED:- To receive the Audit Findings report.

## **20 – Approvals and Letter of Representation**

The Director of Resources submitted a report containing the Council's Letter of Representation and requested the approval to also sign the Statement of Accounts 2015-2016 and Annual Governance Statement 2015-2016.

### Statement of Accounts

After considering the Audit Findings Report for 2015-2016, Members were recommended to approve the audited Statement of Accounts for 2015-2016 and to authorise the Chairman of this Committee to sign on behalf of the Council.

### Annual Governance Statement

After considering the Annual Governance Statement for 2015-2016, Members were requested to authorise the Chairman of this Committee to sign on behalf of the Council.

Both of these documents would be published on the Council's website, once the Audit Certificate was provided.

### Letter of Representation

The purpose of this letter was to provide assurance to the External Auditors on relevant and significant matters relating to the financial year. The Letter of Representation was issued to disclose the material facts affecting the 2015-2016 transactions of the Council; the letter was attached as an appendix to the report. There were no significant issues to highlight.

Members were asked to consider and approve the Letter of Representation and authorise the Director of Resources and the Chairman of this Committee to sign on behalf of the Council.

### Acknowledgement

The Director of Resources thanked all of the Officers involved in both the finance and governance work carried out during 2015-2016 and the audit process.

The Director of Resources also thanked the Grant Thornton team for carrying out the audit in a professional and constructive manner. The structure of the audit process fit well with the Council's resources and the Director of Resources was grateful that the Council were able to agree that process at the outset.

RESOLVED:- (i) To approve the audited accounts and authorise the Chairman of this Committee to sign the sign the Statement of Accounts for 2015-2016 on behalf of the Council;

(ii) To approve the Annual Governance Statement for 2015-2016 and authorise the Chairman of this Committee to sign on behalf of the Council; and

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

## **21 – Internal Audit Final Reports**

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

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

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

1. Barrow Town Hall Roof and Stonework Repairs – Substantial Assurance;
2. Re-Roofing Units 9 & 10 James Freel Close – Restricted Assurance;
3. Housing Maintenance - Responsive Repairs – Substantial Assurance; and
4. Housing Maintenance - Gas Servicing – Substantial Assurance.

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

The Council's Internal Audit Manager was requested to provide complete figures from all of the contractors who had submitted tenders for the Barrow Town Hall Roof and Stonework Repairs so comparisons could be analysed.

RESOLVED:- (i) To note the Internal Audit Final Reports; and

(ii) That the Council's Internal Audit Manager provide complete figures for the Barrow Town Hall Roof and Stonework Repairs.

## **22 – Internal Audit Progress Report**

The Director of Resources reported that the Internal Audit Progress report for the period 1st April, 2016 to 2nd September, 2016 had been produced by the Internal Audit Manager.

The Council's Internal Audit Manager 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 number of Audit recommendations (22). It was noted that 17 recommendations had been Fully Accepted including all Priority 1, and 5 recommendations had been Partly Accepted. Each of the recommendations had been assigned a Priority Grade 1-3, 1 being major issues and 3 minor issues. 1 had been rated a Priority 1, 18 had been rated Priority 2 and 3 had been rated Priority 3.

RESOLVED:- That the report be received.

### 23 – Risk Management Report

The Corporate Support Manager attached as an appendix to his report the Risk Register for 2016/17. He reported that the Register continued to focus on Business Critical Risks which were under the control of the Council.

It was noted that Management Board had reviewed the Register on 24th August, 2016 and no material changes were made.

The Operation Risk Register for 2016/17 was also attached as an appendix to the Corporate Support Manager's report.

RESOLVED:- To note the report.

### 24 – Accounts Receivable

The Director of Resources reported that at the Audit Committee meeting on 15th June, 2016 Members had requested an update on the recommendations set out in the Internal Audit final report for Accounts Receivable. The Financial Services Manager had prepared this update for Members.

The recommendations and updates were set as follows:-

Recommendation	Update
The Council should ensure that reports of outstanding invoices are produced each month for distribution to the relevant cost centre managers for review and follow-up	Java issues had prevented the use of updated Discoverer software used to produce the reports. This has now been resolved. Reports have been produced each month from October 2015 onwards.
The Council should ensure that unrecovered debts are referred to DWF on a timely basis	Referrals are now being made on a regular basis, with the most recent in July 2016.
The Council should ensure that regular updates are obtained from DWF which are routinely documented.	DWF have been asked to provide regular updates. A "Debt Recovery" mailbox folder has been created, which can be accessed by all Finance staff. DWF e-mails are saved in here.
The Council should ensure for each "invoice batch run" the debtor database and print batch totals are reconciled and evidenced by a signature (relates to single invoices raised for The Mall).	Implemented. Documents are now being signed.

Recommendation	Update
<p>The Council should ensure that credit/cancellation of invoices are only performed when requested by an authorised officer (one re-bill request was sent directly from a third party organisation, one request was made by a member of staff not on the authorised signatory list).</p>	<p>The request from the third party organisation should have been referred to the officer who raised the debt originally (the replacement invoice was paid in October 2015). The request from an unauthorised member of staff was an oversight which has been pointed out to the individual and the department concerned. Staff have been reminded to refer to the authorised signatory list when processing transaction requests.</p>
<p>The Council should regularly monitor arrangements to pay invoices by instalments to ensure they are being consistently maintained (an arrangement was made in December '15 but no payment received in December or January and no reminder was issued. Instalment reviews have not always been formally noted).</p>	<p>A reminder should have been issued in January. Instalments have subsequently been paid and a revised plan made. The monitoring of instalments is now formally noted.</p>
<p>The Council should ensure that up to date documented procedures are produced and reviewed regularly (some procedures are dated as far back as 2010 and there was no evidence that the procedures had been reviewed for some time).</p>	<p>The Recovery Officer has been asked to review all procedures and to note the date of review or amendment as a footer to each document.</p>
<p>The Council should ensure recovery action is performed in accordance with the Recovery Process (from a sample of 10 invoices, all had received reminders but one had not been referred for further action).</p>	<p>Non-referral was an oversight. The debt was subsequently referred and paid in full.</p>
<p>Outstanding items identified in the Sundry Billing &amp; Recovery Review undertaken by Internal Audit in August 2014.</p> <ul style="list-style-type: none"> <li>i. 6 issues relating to Oracle functionality (Lockbox, small balances on Dunning Letters, manual identification of referrals, manual checking of authorisation limits, statements, manual invoice creation)</li> <li>ii. E-invoicing</li> <li>iii. Lack of additional customer information from Touchtone payments</li> <li>iv. Write-offs only performed once each year</li> <li>v. Recovery Officer's knowledge not shared with other staff</li> <li>vi. Use of template spreadsheet for debt referrals</li> <li>vii. No central record of referred debts</li> </ul>	<ul style="list-style-type: none"> <li>i. These issues will be considered as part of the planned Oracle upgrade with proposed implementation in the first half of 2017-18.</li> <li>ii. If this is not addressed as part of (i) IT will be asked to consider use of Transform to achieve this.</li> <li>iii. This functionality does not exist within the current system.</li> <li>iv. Write-offs will be performed more regularly.</li> <li>v. Use of shared mailbox and network area means that Receivables information is widely accessible.</li> <li>vi. This has been implemented.</li> <li>vii. These details are now stored in a shared network area.</li> </ul>

RESOLVED:- To receive the report.

## **25 – Local Government Ombudsman Annual Letter 2016**

The Corporate Support Manager reported that the Ombudsman issued an annual review letter to Council's reviewing complaints against the Authority. During 2015/16, a total of nine complaints/enquiries had been received. He advised that the Ombudsman had not provided the detailed breakdown of complaints/enquiries.

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

RESOLVED:- To note the report.

The meeting closed at 3.30 p.m.

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D)</b>
<b>Date of Meeting: 22nd December, 2016</b>		<b>Agenda</b>
<b>Reporting Officer: Director of Resources</b>		<b>Item</b>
		<b>7</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>To receive the Internal Audit Final reports and raise any questions.</p>		

### Report

There are nine final reports for consideration by Members:

- CR84 Barrow Cemetery NW Extension - **Appendix 1**
- CR99 Housing Stock Condition Survey - **Appendix 2**
  
- IT61 IT Service Desk - **Appendix 3**
  
- 15-28 Leisure Centre - **Appendix 4**
- 16-03 Council Tax and Council Tax Support - **Appendix 5**
- 16-04 NNDR - **Appendix 6**
- 16-10 Budgetary Control - **Appendix 7**
- 16-11 Treasury Management - **Appendix 8**
- 16-19 Housing Rents - **Appendix 9**

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 CR 84**  
**BARROW CEMETERY NORTH WEST EXTENSION**

## Executive Summary

### Introduction

This contract relates to the new grave section at Barrow Cemetery and has formed part of the approved Capital Programme from 2009/10; with the bulk of the expenditure being incurred in 2013/14. Tenders were invited from seven contractors with the contract being awarded to Neil Martin Group Limited; following a number of adjustments to align the scope of the proposed work with the available budget; the contract was signed in the sum of £256,258.95. M & P Gadsden were appointed as lead civil engineering consultant.

The contractor has submitted a final account totalling £261,882.34; which represents an increase of 2.2%.

### Audit Objectives

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

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

### Audit Conclusion – *Restricted Assurance*

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

We have made one Priority 1 recommendation which concerns the Council ensuring that tenders received which are found to be incomplete, are returned to the contractor and not included within the evaluation process

In addition, we have made six Priority 2 recommendations, which relate to the Assistant Director (Regeneration & Built Environment):

- ensuring that the contract management checklist is completed fully and submitted promptly for review at each stage of a project's progress;
- ensuring that contractors invited to tender for Council projects are subject to a formal financial and technical evaluation;

Key Points
<b>Restricted Assurance</b>
<b>One major issue</b>
<b>Six important issues</b>

- ensuring that all tender packaging/envelopes are consistently retained and that when consultants are utilised to assist with the tender process, similar controls are in place;
- ensuring
  - a) the extensions of time allowed by the consultant architect clearly cover the full delay in the completion of the contract;
  - b) documentation is available to demonstrate that the extensions were requested by the contractor; and
  - c) extensions are authorised by the issue of formal certificates varying the completion date;
- ensuring that all contract variations are supported by priced Architect's Instructions; and
- considering producing a Project Review Report for this contract.

### **Management Response**

We have received a constructive management response from the Assistant Director (Regeneration & Built Environment), accepting five recommendations and partially accepting two of the recommendations.

### **Acknowledgement**

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

**CONTRACT PARTICULARS**

Contract Title:	Barrow Cemetery North West Extension
Form of Contract:	JCT Intermediate Building Contract 2011
Contractor:	Neil Martin Group
Consultants:	
CDM Co-ordinator	Baker Mallett Limited
Civil Engineer	M & P Gadsden
Quantity Surveyor	
Other Consultants	Thomas Consulting; RSK
Tender Sum:	£287,058.45
Contract Sum:	£256,258.95
Date for Possession:	22 July 2013
Date for Completion:	9 December 2013
Date of Practical Completion:	14 May 2014
Extension of Time Granted:	63 days
Delay in Completion:	156 days
Liquidated and Ascertained Damages provision/required:	£100 per day/10% tender total
Minimum Insurance Cover and Actual Insurance Cover Confirmed	£10m Employer's Liability £5m Public Liability
Minimum Bond Required and Obtained	£25,625.90
Retention Amount	2.5% from final cost of works
Latest Contract Valuation:	£261,882.34
Anticipated Final Account Sum:	£261,882.34
Percentage increase/decrease: Latest Valuation against Contract Sum Anticipated Outturn against Contract Sum	2.2% 2.2%

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT CR 99**  
**HOUSING STOCK CONDITION SURVEY**

## Executive Summary

### Introduction

This contract relates to a stock condition survey to assess the condition, existing and future liabilities of the Council's housing stock, other property assets related to the housing stock (garages, shops etc.) and leasehold interests.

Information derived from the survey was to be used to assist in the valuation of the stock and for the preparation of detailed planned maintenance plans and programmes.

The contract was originally intended to be for a sample survey of 20% of the Council's stock; but a decision was subsequently taken to extend the survey to 100% of the stock.

### Audit Objectives

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

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

### Audit Conclusion – *Restricted Assurance*

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

We have made two Priority 1 recommendations, which relate to the Maintenance & Asset Manager:

- should explain why a limited tender (quotation) exercise was undertaken; and Contract Standing Orders were not followed when it became clear that a full stock condition survey was to be carried out at an estimated cost of £100,000.; and
- ensuring that all tender evaluations are reported to Executive Committee as required by Contract Standing Orders.

In addition, we have made two Priority 2 recommendations, which concern the Maintenance & Asset Manager ensuring:

Key Points
<b>Restricted Assurance</b>
<b>Two major issues</b>
<b>Two important issues</b>

- tender notices include both a date and a time for submission of tenders; and
- the contract management checklist is completed fully and submitted promptly for review at each stage of a project's progress.

### **Management Response**

We have received a constructive response from the Maintenance & Asset Manager, accepting all 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 IT 61**  
**SERVICE DESK**

## Executive Summary

### Introduction

In accordance with the 2016/17 Internal Audit Plan, a review of the Council's IT Service Desk was commenced in June 2016. The "Service Desk" is a single point of contact for end-users who need assistance. Without this function, an organisation can face major losses in time spent on looking for ways to efficiently fix issues and get help.

The integration of "Incident Management" techniques into the service desk seeks to restore normal service operation as quickly as possible and minimise the impact on key operations, thus ensuring that the best possible levels of service quality and availability are maintained. Effective "Problem Management" can prevent the recurrence of incidents and thus benefits the individual user and the organisation as a whole.

Topics covered within the audit were:

- Strategy and Framework
- Service Desk Operation
- Incident and Problem Management
- Requests for Change (RFCs)
- Monitoring and Reporting

### Audit Objectives

The audit was agreed with management as part of the 2016/17 IT Audit coverage. The main purpose of the audit is to confirm that the management and operation of the Service Desk are effective and to provide reasonable assurance that incidents and problems are resolved in a timely manner.

The scope of the audit was discussed and agreed with the IT Manager, before the start of the audit.

<b>Key Points</b>
<b>Substantial Assurance</b>
<b>Six important issues</b>
<b>Two minor issues</b>

### 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 six important issues and two 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.

We also noted several examples of good practice. In particular, the ability for users to access their own call records and to follow any updates on the Service Desk is good feedback.

We have made six Priority 2 recommendations, as follows:

- IT Management should arrange for publication of the Service Definition framework document on the Council intranet as soon as possible.
- The current internal service desk project should seek to improve clarity between workflow routes and the roles and responsibilities for routine service desk calls, incidents, requests for change and new projects.
- In order to facilitate performance reporting, it is recommended that the use of "categorisation" is investigated as a means of selecting service desk calls to be measured. Also a new target date should be agreed for the introduction of this important performance indicator.
- IT management should review the action regarding measurement of service desk user satisfaction, to see whether an acceptable solution can now be found, and a new target date agreed. If necessary, senior management should be consulted on priorities.
- IT management should initiate post resolution reviews for all incidents of severity category 1 (as defined in the Service Definition). Such reviews may be informal but should be recorded (possibly on the call record).
- To encourage the use of change management techniques, including pre-planned testing, IT Services should investigate the addition of such functionality to the service desk. If this is determined to be feasible, inclusion and use should then be discussed with senior management to ensure that buy-in is achieved.

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

- Service Desk staff should arrange for a suitable report, covering open calls, to be prepared and submitted to the internal management meetings at regular intervals (Possibly monthly, covering calls open for over a month?).
- IT management should arrange for the production of service desk "trending reports" to be investigated and discussed with senior management to determine whether any further action is required.

### **Management Response**

We have received a constructive management response from the IT Manager, 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.

**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 15-28**  
**LEISURE CENTRE**

## Executive Summary

### Introduction

The Leisure Centre was the Council's first dedicated indoor leisure facility with provision for wet and dry activities. The Centre was opened in 1991 and is located in the town's main public park. In 2008 the Leisure Centre had a £1.2m major refurbishment through an agreement with Pulse Fitness Limited which included the development of a Youth Gym and an improved Adult Gym facility based on a newly created second-floor. (A further agreement with Pulse Soccer commenced in 2013/14 with an enhanced soccer centre). Operational annual expenditure for the Centre is in the region of £1,298,000 with income of approximately £747,680.

### Audit Objectives

An audit of this system forms part of the agreed 2015/16 programme. The audit objectives were to evaluate and test the income controls at the Park Leisure Centre. The scope and objectives of the audit were discussed and agreed in advance with the Sports Contract Manager.

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

### Audit Conclusion – *Substantial Assurance*

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

- producing formal and comprehensive Cash Handling procedures for the Leisure Centre; and
- considering the implications of the recent internet failures in relation to the Park Leisure Centre, primarily regarding the booking of facilities and associated payment.

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

- ensuring within the daily reconciliation process, that all discrepancies between the cash, card receipts and the "system print" are reviewed. In particular, unders/overs greater than £10 should be investigated by a senior officer.

Key Points
<b>Substantial Assurance</b>
Two important issues.
One minor issue.
One Previous recommendation.



Internal Audit reviewed the agreed outstanding recommendation made in Audit Report 11-23, dated December 2011. The recommendation has been substantially implemented.

Internal Audit also reviewed the agreed outstanding recommendation made in Audit Report 07-31, dated April 2008. The recommendation remains outstanding; which concerns:

- reimbursing the petty cash float at least monthly, in accordance with the Council's Petty Cash Procedures.

### **Management Response**

We have received a constructive management response from the Sports Contract Manager, accepting each of 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 16-03**  
**COUNCIL TAX AND COUNCIL TAX SUPPORT**

## Executive Summary

### Introduction

The Authority's Council Tax service is administered by Liberata, using the Northgate iWorld system, as part of a long term contract awarded in 1998. The gross Council Tax liability for 2016/17 is approximately £42.7m, which relates to 33,512 properties.

The Department for Communities and Local Government has outlined the basis of Localising Support for Council Tax, requiring billing authorities to adopt a Council Tax Reduction Scheme to replace the Council Tax Benefit System which ended on 31<sup>st</sup> March 2013. The Council adopted the Government's prescribed default scheme from 1<sup>st</sup> April 2013, which is broadly similar to the previous Council Tax benefits scheme in terms of who receives benefit, when and how. The scheme is required to be set annually and approved by Members, the scheme for 2016/17 was approved on 13<sup>th</sup> October 2015.

### Audit Objectives

An audit of this system forms part of the agreed 2016/17 programme. The audit objectives were to evaluate and test the internal controls over the Council Tax system. The scope and objectives of the audit were discussed and agreed in advance with the Senior Revenues Technician and the Liberata Service Team Leader.

Key Points
<b>Substantial Assurance</b>
<b>One minor issue</b>

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

### Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that, while there is a basically sound system, there are weaknesses which put some of the system objectives at risk. We have made one Priority 3 recommendation, which concerns Liberata ensuring:

- there is a mechanism in place to ensure that all write offs are classified correctly.

Internal Audit reviewed the one recommendation made in the previous audit report 15-03, dated February 2016. The recommendation has been implemented.

In addition, Internal Audit reviewed the one outstanding recommendation made in the previous audit report 13-03, dated April 2014. The recommendation has been implemented.

### **Management Response**

We have received a constructive management response from the Senior Revenues Technician, 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 16-04**  
**NATIONAL NON DOMESTIC RATES**

## Executive Summary

### Introduction

The Council's National Non Domestic Rates (NNDR) service is administered by Liberata, using the Northgate iWorld system, as part of a long term contract awarded in 1998. The total rateable value for the 2,290 non-domestic properties in the Borough is around £57m, which produces a gross liability of £28m for the financial year 2016/17.

### Audit Objectives

An audit of this system forms part of the agreed 2016/17 programme. The audit objectives were to review the internal controls over the National Non Domestic Rates system. The scope and objectives of the audit were discussed and agreed in advance with the Senior Revenues Technician.

Key Points
Substantial Assurance
Two minor issues

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

### Audit Conclusion – *Substantial Assurance*

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

- raising a system memo for each void NNDR property, detailing the results of inspections and the date the next review is due; and
- ensuring there is a mechanism in place to confirm that all write offs are classified correctly.

Internal Audit reviewed the one recommendation from report 15-04, dated January 2016. The recommendation has been implemented.

### Management Response

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

### Acknowledgement

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



**BARROW BOROUGH COUNCIL**  
**INTERNAL AUDIT FINAL REPORT 16-10**  
**BUDGETARY CONTROL**

## Executive Summary

### Introduction

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

Budget and actual transactions are recorded and controlled at cost centre level via the Council's Oracle Financial System. Approved headline budgets for the financial year 2016/17 total:

- General Fund Revenue - £9,985,560
- Capital Programme - £4,781,022
- Housing Revenue Account expenditure/income - £8,684,620/£11,832,130.

### Audit Objectives

An audit of this system forms part of the agreed 2016/17 programme. The audit objectives were to evaluate and test the internal controls over the Budgetary Control function. The scope and objectives of the audit were discussed and agreed in advance with the Accountancy Services Manager.

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

Key Points
Unqualified Assurance
No Recommendations

### 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 new recommendations.

### Management Response

We have received a constructive management response from the Accountancy Services 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 16-11**  
**TREASURY MANAGEMENT**

## Executive Summary

### Introduction

The Council defines Treasury Management as “the management of the Council’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”. Responsibility for treasury transactions is delegated to the Director of Resources, the Accountancy Services Manager and Financial Services Manager.

The Council’s treasury function is subject to a degree of self-regulation, a key element being the Treasury Management Strategy for 2016/17, which was approved by Council on 3 March 2015. This includes a framework of borrowing limits and prudential indicators designed to ensure that treasury and capital investment decisions are prudent and affordable. The Strategy is supplemented by detailed Treasury Management Practices which demonstrate compliance with the CIPFA Code of Practice for Treasury Management.

The Council currently has £39.5m of long-term borrowing from the Public Works Loan Board, with maturity dates between 2018 and 2053. No short-term loans have been taken out to date in 2016/17.

During 2016/17, surplus funds have been invested either directly with approved counterparties or in an interest bearing deposit account with the Council’s bankers, HSBC plc. The interest earned in the first half of the year amounted to £51,000.

### Audit Objectives

An audit of this system forms part of the agreed 2016/17 programme. The audit objectives were to evaluate and test the internal controls over the Treasury Management process. The scope and objectives of the audit were discussed and agreed in advance with the Accountancy Services Manager.

Our audit coverage excludes any activities on the part of the Council involving the use of derivatives or complex financial instruments.

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

Key Points
Unqualified Assurance
No recommendations

### **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 new recommendations.

### **Management Response**

We have received a constructive management response from the Accountancy Services 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 16-19**  
**HOUSING RENTS**

## Executive Summary

### Introduction

The Council currently owns and manages 2,631 dwellings and 497 garages. The total stock is relatively stable as Right to Buy sales of homes have declined in recent years. The Housing Department is responsible for the monitoring and maintenance of the Council's Housing Rent Account for these properties. It is currently preparing for the implementation of a new housing management system to replace the existing software.

The annual dwellings rent income for 2016/17 is approximately £10.3m. In accordance with the provisions of the Welfare Reform and Work Act 2016, rents were reduced by 1.0% in April 2016. At 30 September 2016, current tenant arrears were £462,914 and former tenant arrears were £235,931.

### Audit Objectives

An audit of this system forms part of the agreed 2016/17 programme. The audit objectives were to evaluate and test the internal controls over the Housing Rents system. The scope and objectives of the audit were discussed and agreed in advance with the Business Support Manager.

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

Key Points
Substantial Assurance
One important 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 of control, there are weaknesses which put some of the system objectives at risk. We have made one Priority 2 recommendation, which relates to:

- the Business Support Manager:
  - a) ensuring that the total of irrecoverable debts periodically proposed for write off is reconciled to the Housing Rents system; and
  - b) obtaining retrospective approval for the correct write off of debts on the February/March 2016 schedule.

Internal Audit also reviewed the three agreed recommendations made in Audit Report 15-19, dated February 2016. Two recommendations have been fully implemented, however one recommendation remains outstanding and concerns:

- the Assistant Director - Housing ensuring that quarterly rent arrears are reported promptly to Housing Management Forum and Executive Committee.

Finally, we reviewed the outstanding element of the final recommendation of Audit Report 14-19, dated April 2015. This remains outstanding and concerns:

- the Business Support Manager ensuring that gross write offs are reported accurately to the Housing Management Forum.

### **Management Response**

We have received a constructive management response from the Business Support Manager accepting each of the recommendations.

### **Acknowledgement**

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

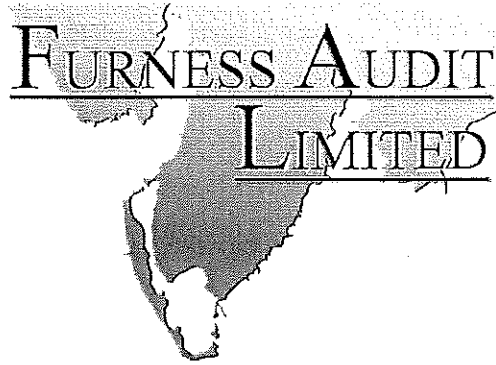
		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 8</b>
<b>Date of Meeting:</b>	<b>22nd December, 2016</b>	
<b>Reporting Officer:</b>	<b>Director of Resources</b>	
<p><b>Title: Internal Audit Progress Report</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Internal Audit Progress Report has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p><b>Recommendations:</b></p> <p>To receive the Internal Audit Progress report and raise any questions.</p>		

### Report

The Internal Audit Progress Report for the period 1st April, 2016 to 2nd September, 2016 is attached at **Appendix 10** and will be presented to Members by the Head of Internal Audit.

### Background Papers

Nil



*BARROW BOROUGH COUNCIL*

**INTERNAL AUDIT PROGRESS REPORT**

**April to December 2016**

**2016/17**

# CONTENTS

Page

EXECUTIVE SUMMARY	3
1. STATISTICAL SUMMARY OF RECOMMENDATIONS	4
2. ACCEPTED PRIORITY 1 RECOMMENDATIONS	5
3. REJECTED RECOMMENDATIONS	8
4. INTERNAL AUDIT COVERAGE:	9
5. CONTRACT AUDIT	12
6. CLASSIFICATIONS	13
7. PERFORMANCE	13
APPENDIX 1 – RESTRICTED ASSURANCE AUDITS	14

# EXECUTIVE SUMMARY

## Purpose

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

- Internal Audit work performed up to 6<sup>th</sup> December 2016, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

## Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1<sup>st</sup> April and 6<sup>th</sup> December 2016. The figures are analysed according to the 'priority' of the recommendations, and the extent to which each has been accepted by management for action.

2. *Accepted Priority 1 Recommendations*

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

3. *Rejected Recommendations*

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

4. *Audit Coverage*

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

5. *Classifications of Assurance and Recommendations*

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

## 1. STATISTICAL SUMMARY OF RECOMMENDATIONS

The following table summarises the number of audit recommendations we have made in our final reports issued up to 6<sup>th</sup> December 2016; analysed by their priority, including whether accepted by management.

<b>Recommendations</b>	<b>Total</b>	<b>Priority 1</b>	<b>Priority 2</b>	<b>Priority 3</b>
Made	<b>48</b>	4	35	9
Fully Accepted	<b>41</b>	4	29	8
Partly Accepted	<b>7</b>	-	6	1
Not Accepted	<b>0</b>	-	-	-

## 2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

There have been three Priority One recommendations since the previous Audit Committee, which relate to the following:

<b>Audit Report</b>	<b>CR 99 – Housing Stock Condition Survey</b>
<b>Recommendation</b>	The Maintenance & Asset Manager should explain why a limited tender (quotation) exercise was undertaken; and Contract Standing Orders were not followed when it became clear that a full stock condition survey was to be carried out at an estimated cost of £100,000.
<b>Rationale</b>	<p>Internal Audit were informed that the original intention was to conduct a 20% sample housing stock condition survey with an estimated cost of £25,000. A limited tender (quotation) exercise was conducted as required by this level of expenditure.</p> <p>However, given the need to move towards “component accounting” which requires a more comprehensive understanding of the condition of all of the stock, it was subsequently decided that a full survey should be conducted. We were informed that discussions took place between the Council and the successful contractor from the original tender exercise “using their original 20% sample survey submission as the base cost moving forward” (NB - the successful contractor’s submission was for a 10% survey not 20%). During these discussions it was identified that additional works would be required to collect energy data for the housing stock. This resulted in the contractor being awarded the contract for the full stock condition survey (including collection of energy data) at a cost of £100,000.</p> <p>It is unclear why the limited tender exercise was actually carried out and the proper tendering procedures for contracts of £100,000 and above were not followed, when a totally different specification was required.</p> <p>Tender documentation for the sample survey was sent to the contractors on 3<sup>rd</sup> and 4<sup>th</sup> June 2014 with a return deadline of 27<sup>th</sup> June 2014; but a report was placed before the Housing Management Forum on the 12<sup>th</sup> June 2014 requesting approval for a 100% stock condition survey at an estimated cost of £100,000. Given the short space of time between these two events, the original limited tender exercise ought to have been cancelled and a new more comprehensive tender exercise, that complied with Contract Standing Orders, undertaken.</p> <p>As a consequence, this has resulted in a significant number of areas of non-compliance in relation to the requirements of the Contract Management Checklist/Contract Standing Orders.</p>



<b>Response</b>	It is accepted that the letting of this contract did not fully meet the requirements of the Council's Standing Orders and in hindsight it would have been more appropriate to cancel the original tender request and recommence a new tender process based on a 100% survey.
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<b>Audit Report</b>	<b>CR 99 – Housing Stock Condition Survey</b>
<b>Recommendation</b>	The Maintenance & Asset Manager should ensure that all tender evaluations are reported to Executive Committee as required by Contract Standing Orders.
<b>Rationale</b>	Contract Standing Orders require that the 'tender evaluation is reported to Executive Committee who then awards the contract on the scores achieved against the evaluation performed'.  Internal Audit identified that Executive Committee had delegated authority to Officers to 'progress' the completion of the stock condition survey, but did not explicitly remove the requirement to report the evaluation of tenders to Executive Committee.
<b>Response</b>	It is accepted that the letting of this contract did not fully meet the requirements of the Council's Standing Orders and that the evaluation of tenders should have been reported to the Council's Executive Committee.

<b>Audit Report</b>	<b>CR 84 – Barrow Cemetery North West Extension</b>
<b>Recommendation</b>	The Council should ensure that tenders received which are found to be incomplete, are returned to the contractor and not included within the evaluation process.
<b>Rationale</b>	The Council's Contract Standing Order 8 states "Only valid tenders may be considered for the contract award; received on time and containing all relevant information".  Internal Audit reviewed the six tender documents received and noted that one of the tenders did not include the Form of Tender Incorporating Collusive Tendering Certificate.  Failure to complete, sign and return the Certificate with the Bill of Quantities invalidated the tender. The tender was however accepted and included for evaluation. Should this tender have been found to be the lowest accepted, the Council may have been subject to appeals from the unsuccessful tenderers.

<b>Rationale</b>	Rejecting this tender would have confirmed the Council's policy to require contractors to provide all the documentation requested and confirmed compliance with Council Standing Orders.
<b>Response</b>	Accepted.

### **3. REJECTED RECOMMENDATIONS**

#### **3.1 PRIORITY ONE RECOMMENDATIONS**

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

#### **3.2 PRIORITY TWO RECOMMENDATIONS**

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

#### 4. INTERNAL AUDIT COVERAGE:

##### APRIL – DECEMBER 2016

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>ANNUAL AUDITS</b>			
16-01	Income Collection	1	Draft	Substantial
16-02	Housing Benefits	1	Fieldwork complete	
16-03	Council Tax & Council Tax Support	1	Final	Substantial
16-04	Business Rates (NNDR)	1	Final	Substantial
16-05	Risk Management	1		
16-06	Cash Floats/Receipting Controls	-	In Progress	
16-08	Fraud and Corruption Survey	-	Complete	N/a
16-09	Performance Management	2	Fieldwork complete	
16-10	Budgetary Control	2	Final	Unqualified
16-11	Treasury Management	2	Final	Unqualified
16-12	Car Park Meter Income	2	Fieldwork Complete	
16-13	Payroll (inc Expenses)	2	Draft	Substantial
16-14	Accounts Receivable	2	In Progress	
16-15	Corporate Control/Governance	2	Ongoing	
16-16	Main Accounting System and Periodic Controls	2	Q2 In Progress	
16-17	Procurement (inc. Ordering)	2	In Progress	
16-18	Accounts Payable	2	Draft	Substantial
16-19	Housing Rents	2	Draft	Substantial
16-20	Standing Orders/Financial Regs/Council Plans & Policies	2		
16-21	Housing Maintenance (Day to day repairs)	2		
16-22	NFI	-	Ongoing	N/a
16-24	Benefit Certification	-	Ongoing	N/a
16-25	Lawson Street–Financial Check	-	Ongoing	N/a
	Probity	-	Ongoing	N/a

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	<b>COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT</b>			
-	Hawcoat	-	Complete	N/a
-	Abbotsvale	-	Complete	N/a
-	Barrow Playing Fields Users Association 2013-14	-	Outstanding Issues	
16-23	Mayor's Account	-	Complete	N/a
	<b>IT ENVIRONMENT AUDITS</b>			
IT61	Service Desk	-	Final	Substantial
IT62	Payment Card Security	-	In Progress	
IT63	Implementation Review	-		
<b>16-07</b>	<b>IMPLEMENTATION REVIEW</b>			
09-23	Asset Management	-	Complete	
14-30	Dog Kennels	-	In Progress	

### Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2016/17 (April – December)	38	2	3	43
2015/16 (Full year)	52	0	5	57

## 5. CONTRACT AUDIT

Report Number	Audit Assignment	Status	Assurance/ Comment
CR80	Roa Island Jetty	Stage 4 Findings issued 15 <sup>th</sup> Sept 16	Response to findings received
CR84	Barrow Cemetery NW Extension	Final	Restricted
CR86	Town Hall Roof	Final	Substantial
CR90	Re-Roofing Units 9 & 10 James Freel Close	Final	Restricted
CR91	Rawlinson Street Corridor	Stage 1 completed	Stages 2-4 underway
CR94	2014 CHP Devonshire Road Improvements	Stage 1 Findings issued 4 <sup>th</sup> May 16	Partial Stage 2 checklist received
CR95	Town Hall Ground Floor Improvements	Stage 4 Findings to issue	
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	Final	Restricted
CR100	Crematorium/Cemetery Office	Draft	No Assurance; further limited information provided Sept 16
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
CR110	Housing Maintenance Responsive Repairs	Final	Substantial
CR111	Housing Management System	Stage 2 Findings to issue	
CR112	Housing Maintenance Gas Service Contract	Final	Substantial
CR113	Roosegate Re-roofing Phase 2		Info Required
CR114	CHP Housing Maintenance - Void Repairs 2015/19	Stage 1 & 2 completed 4 <sup>th</sup> Nov 16	

## 6. CLASSIFICATIONS

### 6.1 Classification of Assurance Levels

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

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

### 6.2 Priority of Recommendations

Our audit recommendations are categorised by three priority levels: -

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

## 7. PERFORMANCE

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

Indicator		2016/17
1	Percentage of Draft reports issued within 10 working days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	71%
3	Percentage of Final reports issued within 10 working days of receipt of management response.	100%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

### Draft Reports issued

Ref	Audit	Date issued
16-01	Income Collection	5 <sup>th</sup> Dec 2016
16-13	Payroll	6 <sup>th</sup> Dec 2016
16-18	Accounts Payable	5 <sup>th</sup> Dec 2016
CR100	Crematorium and Cemetery Office (late project file received)	8 <sup>th</sup> Aug 2016



## APPENDIX 1 – RESTRICTED ASSURANCE AUDITS

Ref	Audit	Recommendations			Previous Recommendations			Total	Date Issued
		P1	P2	P3	P1	P2	P3		
CR90	Re-Roofing James Freel Close	1	6	0	n/a			7	17 <sup>th</sup> June 2016
CR99	Housing Stock Condition Survey	2	2	0	n/a			4	5 <sup>th</sup> September 2016
CR84	Barrow Cemetery North West Extension	1	6	0	N/a			7	6 <sup>th</sup> December 2016

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 9</b>
<b>Date of Meeting:</b>	<b>22nd December, 2016</b>	
<b>Reporting Officer:</b>	<b>Director of Resources</b>	
<p><b>Title: Annual Audit Letter for the year ended 31/3/2016</b></p> <p><b>Summary and Conclusions:</b></p> <p>The Annual Audit Letter for the year ended 31st March, 2016, has been produced by the External Auditors. The External Auditors will present the report to Members.</p> <p><b>Recommendations:</b></p> <p>To receive the External Auditors report and raise any questions.</p>		

### **Report**

The External Auditors have produced the Annual Audit Letter for the year ended 31st March, 2016, which summaries the key findings from the financial year 2015-2016 audit work.

In summary, the Council obtained an unqualified financial statements opinion and in terms of value for money, the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31st March, 2016.

The report is attached at **Appendix 11** and will be presented to Members by the External Auditors.

### **Background Papers**

Nil



# The Annual Audit Letter for Barrow Borough Council

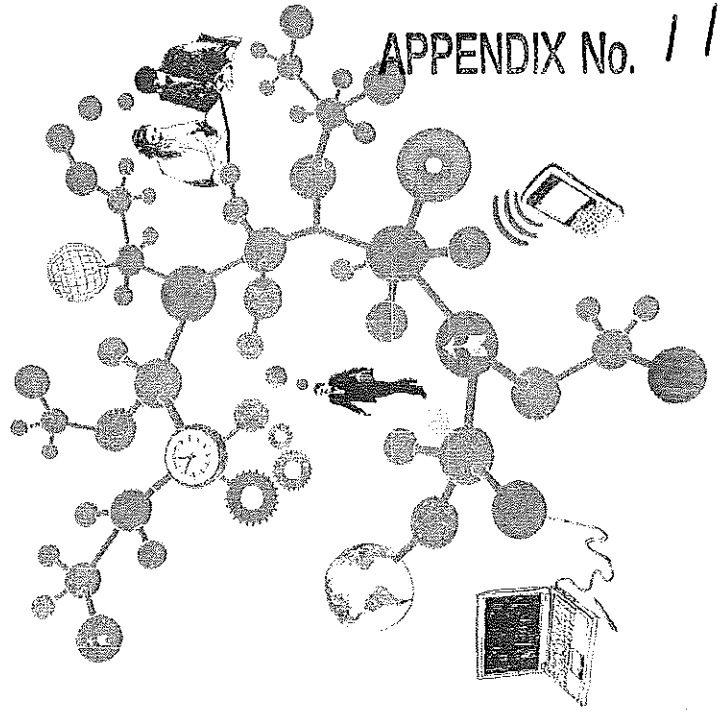
Year ended 31 March 2016

October 2016

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APPENDIX No. 1 / 1



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# Contents

<b>Section</b>	<b>Page</b>
1. Executive summary	3
2. Audit of the accounts	5
3. Value for Money conclusion	8
4. Working with the Council	10
<b>Appendices</b>	
A. Reports issued and fees	11

# Executive summary

## **Purpose of this letter**

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Barrow Borough Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 15 September 2016.

## **Our responsibilities**

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council's financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

## **Our work**

### **Financial statements opinion**

We gave an unqualified opinion on the Council's financial statements on 22 September 2016.

### **Value for money conclusion**

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 22 September 2016.

---

### **Certification of grants**

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

We have also been engaged to complete certification work on the Council's Housing Capital Receipts return. This work is underway and is due to be concluded by 30 November 2016.

### **Other work completed**

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

### **Working with the Council**

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

**Grant Thornton UK LLP**  
October 2016

# Audit of the accounts

## **Our audit approach**

### **Materiality**

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £973,000, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We also set a lower level of specific materiality for certain areas such as cash, senior officer remuneration and related party transaction disclosures.

We set a lower threshold of £48,650, above which we reported errors to the Audit Committee in our Audit Findings Report.

### **The scope of our audit**

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by management are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.



# Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p><b>Valuation of property plant and equipment</b>                      The Council revalues its assets on a rolling basis over a five-year period. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from current value. This represents a significant estimate by management in the financial statements.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• Reviewed the management's processes and assumptions for the calculation of the estimate.</li> <li>• Reviewed the competence, expertise and objectivity of any management experts used.</li> <li>• Reviewed the instructions issued to valuation experts and the scope of their work.</li> <li>• Tested any revaluations made during the year to ensure they are input correctly into the Council's asset register.</li> <li>• Corresponded with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions.</li> <li>• Reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding.</li> <li>• Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that the carrying value of these assets is not materially different to current value.</li> </ul> <p>We did not identify any issues to report.</p>
<p><b>Valuation of pension fund net liability</b>                      The Council's pension fund liability represents a significant estimate in the financial statements.                      The value of the pension fund net liability is estimated by specialist actuaries.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none"> <li>• Reviewed the management processes to ensure the data supplied to the Cumbria Pension Fund is accurate and complete.</li> <li>• Liaised with the auditor of the Cumbria Pension Fund to understand the controls in place to ensure the data supplied to the actuary is accurate and complete.</li> <li>• Compared the estimates used by the actuary to produce the valuation with actuals available to the Council and the Pension fund after the year-end.</li> <li>• Carried out procedures to understand and assess the assumptions and techniques used by the actuary to estimate the value of the pension fund liability.</li> <li>• Confirmed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the report the Council received from its actuary.</li> </ul> <p>We did not identify any issues to report.</p>

# Audit of the accounts

## **Audit opinion**

We gave an unqualified opinion on the Council's accounts on 22 September 2016, in advance of the 30 September 2016 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of working papers to support them. The finance team responded promptly and efficiently to our queries during the course of the audit.

## **Issues arising from the audit of the accounts**

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 15 September 2016.

In addition to the key audit risks reported above, we identified six adjustments during our audit, two of these related to changes to the Comprehensive Income and Expenditure Account and the remaining changes concerned disclosures in the accounts. Management agreed to process all of the adjustments in respect of the matters we reported.

## **Annual Governance Statement and Narrative Report**

We are also required to review the Council's Annual Governance Statement and Narrative Report. Both documents were consistent with the supporting evidence provided by the Council and with our knowledge of the Council. CIPFA introduced a requirement for local government bodies to produce a narrative report this year. This report replaces the explanatory foreword and the intention is that the narrative report provides a broader, strategically-focused commentary on the Council's financial position and its financial and non-financial performance than was the case previously. Management included the majority of the content recommended by CIPFA in its narrative report but have agreed to consider incorporating more information about the Council's organisational structure, its forward plans, particularly with regard to the capital programme and the borrowing facilities available to the Council.

## **Other statutory duties**

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts. We are pleased to confirm that we did not have cause to exercise these powers this year.

# Value for Money conclusion

## **Background**

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the 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.*

## **Key findings**

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

As part of our Audit Findings report agreed with the Council in September 2016, we agreed the following recommendations to address our findings:

- The Council should develop a performance management framework for the Council's economic development activities to articulate the links between the partnerships and projects in which the Council is engaged and the Council's overall strategic plan.
- The Council should agree a forward plan for each major saving scheme in the new budget strategy so that management and members understand the timetable for taking the key decisions which will determine how savings are to be realised.

## **Overall VfM conclusion**

We are satisfied that, in all significant respects, except for the matters we identified below, the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016.

# Value for Money

Risk identified	Work to address risk identified	Findings and conclusions
<p><b>Economic regeneration</b></p> <p>The Council's strategic priorities include a commitment to secure a long-term economic recovery for the community. The Council recognise that partnership working is crucial to driving economic growth in the Borough. The Council has already made some significant investments to regenerate the Borough, in particular the Marina Project. We need to understand how the Council is working with partners in the private and public sector in pursuit of its regeneration objectives and how members and officers assess the Council's progress against those objectives.</p>	<p>We reviewed how the Council is working with partners to revitalise the local economy and assess whether the Council has the right measures in place to assess the progress made.</p>	<p>The Council is able to demonstrate continuing engagement with the private and public sector as part of its commitment to support the regeneration of the local economy. This engagement has secured some benefits such as the leasing of under-utilised space at the Dock Museum to BAE and the decision to establish a Business Improvement District. Looking ahead, the scale of the forecast inward investment vastly exceeds that seen in recent decades and this investment has the potential to bring benefits to communities across the Borough.</p> <p>Responsibility for economic development resides with the Executive Director and the Assistant Director (Regeneration and Built Environment). Members and management should assess whether the Council and its stakeholders need more detailed information about how the Council is seeking to realise the benefits brought about by regeneration. Providing such information would enable decisions to be taken on how to prioritise available resources and targets to be agreed so that the effectiveness of the resource in achieving the stated goals can be measured.</p>
<p><b>Future Budget Strategy</b></p> <p>In our 2014-15 Audit Findings Report we noted that the Council was developing a budget strategy following the local elections held in May 2015. The local government finance settlement for 2016-17 and the provisional allocations for the following three financial years has recently been published. The Council needs to ensure that its budget strategy incorporates realistic assumptions about how the Council can balance its budget by reducing expenditure and/or generating additional income.</p>	<p>We reviewed the progress made by officers and members to develop the Budget Strategy and assess the robustness of the assumptions underpinning the strategy</p>	<p>Management and members have developed a budget strategy and a public consultation on the strategy has recently been concluded. The Council needs to deliver £2.4M of savings by 2020 and the proposed strategy forecasts that £1M of the savings required can be realised through contract renewals with a further £0.47M to be achieved through a proposed outsourcing of the leisure services.</p> <p>We examined the detail supporting the savings linked to contract renewals and the outsourcing of leisure services. Whilst the evidence supplied indicated that the cost reductions forecast were not unrealistic and had already been achieved in other local authorities, key strategic decisions need to be taken about how the services under review will be delivered going forward. In the case of leisure services, these include decisions about the extent of any revenue-sharing, the length of the contract and the links with existing Council contracts for leisure services. The decisions still to be taken with regard to the revenues and benefits service are even more significant. Members need to determine whether the service will be delivered in-house, in partnership with another body or by a third party service organisation. Whilst decisions of this importance cannot be rushed, any delays in taking forward these savings schemes might impact on whether the savings forecast can be achieved over the life of the budget strategy.</p>

# Working with the Council

## **Our work with you in 2015/16**

We are really pleased to have worked with you over the past year. We have established a positive and constructive relationship. Together we have delivered some great outcomes.

An efficient audit – we completed our audit fieldwork by the end of August and provided our audit opinion on 22 September. This was consistent with the timetable we agreed with you. Our audit team are knowledgeable and experienced in your financial accounts and systems. Our relationship with your team provides you with a financial statements audit that continues to finish ahead of schedule releasing your finance team for other important work.

Improved financial processes – during the year we reviewed your financial systems and processes including employee remuneration, non-pay expenditure and property plant and equipment.

Understanding your operational health – through the value for money conclusion we provided you with assurance on your operational effectiveness and we discussed and considered the developments most likely to impact on the Council's financial health going forward. One of our Local Government Advisory team helped you to understand how you can develop existing partnerships to maximise the benefits to be derived from significant inward investment in the Borough.

Sharing our insight – we provided regular audit committee updates covering best practice. Areas we covered included the following reports produced by the firm:

- Innovation in Public Financial Management,
- Knowing the Ropes – our audit committee effectiveness review;
- Making Devolution Work; and
- Reforging Local Government.

We have also shared with you our insights on advanced closure of local authority accounts, in our publication "Transforming the financial reporting of local authority accounts" and will continue to provide you with our insights as you bring forward your production of your year-end accounts.

## **Looking Ahead to 2016/17**

We will continue to work with you and support you over the next financial year as you work toward bringing forward your audit timetable so that the audit can be concluded by 31 July 2016.

Locally our focus will be on:

- An efficient audit – our commitment to delivering an efficient audit will include sharing of best practice to help officers to streamline the preparation of working papers prepared to support the audit team; and
- Understanding the progress made to implement the new budget strategy and ensuring that the milestones management has identified as being crucial to secure the necessary reductions in net expenditure are being adhered to.

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and the fee charged for certification of grants. No fees were charged for the provision of other non audit services.

## Fees

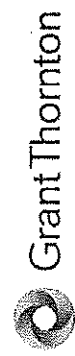
	Planned £	Actual fees £	2014/15 fees £
Statutory audit of Council	51,119	51,119	68,159
Grant Certification (Housing Capital Receipts)	0	2,500	2,500
Grant Certification (Housing Benefit Subsidy)	13,360	TBC	18,310
<b>Total fees (excluding VAT)</b>	<b>64,479</b>	<b>TBC</b>	<b>88,969</b>

The 2015/16 fee reduced compared to the prior year as a result of a reduction in the scale fee announced by Public Sector Audit Appointments Ltd (PSAA). This followed a national procurement exercise and the reduction was applied across the sector.

The national deadline for completing our certification work in respect of housing benefit subsidy is 30 November. We will confirm the final fee after this work is complete. Details of the work required to certify the Housing Capital Receipts return were finalised in September 2016. Consequently, a fee for undertaking this work was not included in our original audit plan.

## Reports issued

Report	Date issued
Audit Plan	3 March 2016
Audit Findings Report	15 September 2016
Annual Audit Letter	27 October 2016



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		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 10</b>
<b>Date of Meeting:</b>	<b>22nd December, 2016</b>	
<b>Reporting Officer:</b>	<b>Director of Resources</b>	
<p><b>Title: External Audit - Certification Work</b></p> <p><b>Summary and Conclusions:</b></p> <p>The certification work for Barrow Borough Council for year ended 31st March, 2016, has been completed by the External Auditors. The External Auditors have written to the Council to report their findings and will present these at the meeting.</p> <p><b>Recommendations:</b></p> <p>To receive the External Auditor's report and raise any questions.</p>		

### Report

The External Auditors have completed the certification work relating to the financial year 2015-2016; the Housing Benefits subsidy claim for the Department of Works and Pensions.

The External Auditors have written to the Council to report their findings and this letter is attached at **Appendix 12**. The External Auditors will present their findings to Members.

### Background Papers

Nil





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Grant Thornton UK LLP  
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T+44(0161) 234 6394

7 December 2016

Dear Sue,

**Certification work for Barrow Borough Council for year ended 31 March 2016**

We are required to certify certain claims and returns submitted by Barrow Borough Council ('the Council'). This certification typically takes place six to nine months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.

Arrangements for certification are prescribed by Public Sector Audit Appointments Limited ('PSAA', formerly the Audit Commission), which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.

For Barrow Borough Council, we have certified one claim for the financial year 2015/16 relating to Housing Benefits. Full details are set out in Appendix A. Our work on this claim indicated that the Council has appropriate arrangements to compile and complete claims for audit certification on a timely basis. However, as we explain in this letter, our detailed work identified a number of errors which led us to qualify the claim.

Our work on Housing Benefits requires us to undertake a series of tests to certify the return that the Council submits to the Department of Work and Pension ('the DWP') setting out the total amount of subsidy to be claimed. The total subsidy claimed by the Council in 2015/16 was £20.32 million with corresponding expenditure of £20.44 million to claimants. The £20.32 million subsidy received includes £0.32 million for the administration of housing benefits.

We undertook a programme of testing in accordance with instructions agreed between PSAA and the DWP. The instructions require us to test initial samples for each of the three main benefit types, Rent Rebates, Non-Housing Revenue Account Rent Rebate and Rent Allowance. We are then required to complete follow-up testing based on errors identified in the initial sample and errors identified as part of certification work undertaken in the previous year. This year our follow-up work consisted of an examination of a further sample of 542 cases comprising 15 distinct samples. Each sample corresponded to a type of error identified in either the prior year or the current year and the areas covered focussed principally on the assessment of claimant income, the classification of overpayments and the assessment of eligible rent.

Our approach to the design of the follow-up testing took account of management's response to a recommendation we made in the prior year that indicated additional quality checks could

be undertaken prior to submission of the claim. The purpose of these checks was to mitigate the financial risk to the Council arising from a qualified claim. The additional checks undertaken comprised a review of all high-value overpayments. We reviewed this work and were satisfied that it provided the necessary assurance that there were no errors affecting these cases. This meant we could focus the follow-up work described above on lower-value overpayments. This benefitted the Council by eliminating the risk that errors concerning high-value overpayments would result in a high level of error when extrapolated across the claim as a whole.

Our qualification letter was issued on 29 November 2016 ahead of the deadline of 30 November 2016. The indicative grant claim certification fee for 2015/16 for the Council is based on the final 2012/13 certification fee, reflecting the amount of work required by the auditor to certify claims and returns in the year, as adjusted to remove fees relating to claims which no longer require certification. The indicative scale fee set by the Audit Commission for the Council for 2015/16 was £13,360. The 542 additional cases and the work we undertook to review management's checks on high value overpayments represented an increase on the equivalent testing undertaken in previous years. On this basis, we have agreed with management that an additional fee of £5,785 will be levied to reflect the extra work undertaken.

Yours sincerely

For Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2015/16

Claim or return	Value (£)	Amended?	Amendment (£)	Qualified?	Certification Fee
Housing benefits subsidy claim (BEN01)	20,318,718	Yes	1,874	Yes	£19,145

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 11</b>
<b>Date of Meeting:</b>	<b>22nd December, 2016</b>	
<b>Reporting Officer:</b>	<b>Director of Resources</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>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 13** and will be presented to Members by the External Auditors.

**Background papers**

Nil

Audit Committee  
Progress and Update Report for  
Barrow Borough Council  
Year-ending 31 March 2017  
December 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.

# Contents

Contents	Page
Introduction	4
Progress at 13 December 2016	5
Emerging issues and developments:	
National Sector Issues	7
Grant Thornton Technical Update	10
Grant Thornton Publications and Events	13

# 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:

- Your Generation: Making decentralised energy happen <http://www.grantthornton.co.uk/en/insights/making-decentralised-energy-happen/>
- Culture of Place: A copy of the report and a collection of short videos can be found on our website at <http://www.grantthornton.co.uk/en/insights/culture-of-place/>

**Members and officers may also be interested in our recent webinars:**

**Alternative delivery models:** Interview with Helen Randall of Trovers and Hamlins, discussing LATCs and JVs in local government. <http://www.grantthornton.co.uk/en/insights/qa-on-local-authority-alternative-delivery-models/>

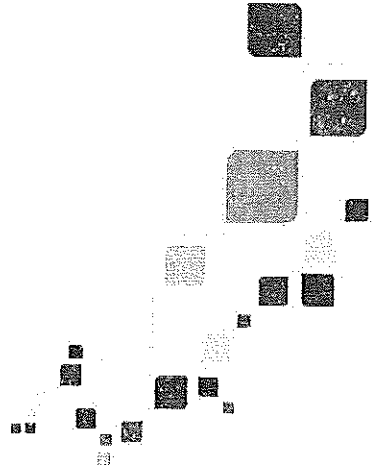
**Cyber security in the public sector:** Our short video outlines questions for public sector organisations to ask in defending against cyber crime <http://www.grantthornton.co.uk/en/insights/cyber-security-in-the-public-sector/>



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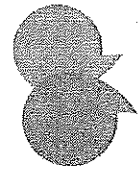


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# Progress at 13 December 2016



**Progress against plan**  
On track

**Outputs delivered**

Fee letter, Progress Reports, delivered to plan

**Opinion and VfM conclusion**

Plan to give opinion before 31 July 2017 (statutory deadline is 30 September 2017)

## Work Undertaken

### Fee Letter

We issued the Planned fee letter for 2016/17 in April 2016.

April 2016

We issued our fee letter earlier this year.

### 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 2016-17 financial statements.

March 2017

We will present our Audit Plan for 2016/17 to the Audit Committee at its meeting in March 2017.

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

January - March 2017

We plan to undertake our interim work in January 2017. Any significant matters arising from that work will be presented as part of Audit Plan in March 2017.

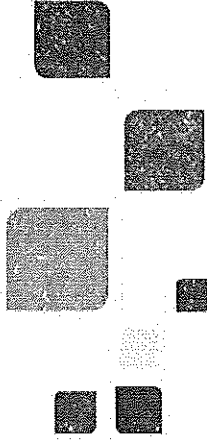
### Certification Audit

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

30 November 2016

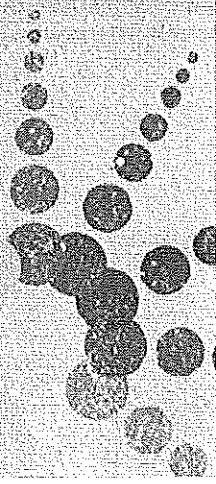
We certified the Council's 2015/16 Housing Benefits Claim on 29<sup>th</sup> November 2016, ahead of the deadline of 30 November 2016. The outcome of our certification work is included as a separate item on the agenda for today's meeting.

# Progress at 13 December 2016



2016/17 work	Expected Date of Completion	Comments
<p><b>Final accounts audit</b> Including:</p> <ul style="list-style-type: none"> <li>• Audit of the 2016-17 financial statements</li> <li>• proposed opinion on the Council's accounts</li> </ul>	<p>Planned for June - July 2017</p>	<p>We have been discussing the timetable for undertaking our final accounts fieldwork with management. Subject to management being able to provide the draft accounts by 31 May 2017, we anticipate commencing our fieldwork in June so that we can report our findings to the Audit Committee in July 2017.</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>February – July 2017</p>	<p>We plan to commence our value for money risk assessment in early 2017. We will report any significant risks identified as part of our Audit Plan in March 2017.</p>

# National Sector Issues



# Financial sustainability of local authorities: capital expenditure and resourcing

National Audit Office

According to the NAO, Local authorities in England have maintained their overall capital spending levels but face pressure to meet debt servicing costs and to maintain investment levels in their existing asset bases.

Since 2010-11, local authorities have faced less pressure on their resources to support capital expenditure as compared to revenue. Although local authorities' revenue spending power fell by over 25 per cent in real terms from 2010-11 to 2015-16, the NAO estimates that capital grants to authorities marginally increased from 2010-11 to 2014-15, (excluding education).

Capital spending by authorities increased by more than five per cent in real terms overall between 2010-11 and 2014-15, but this is uneven across local authorities and service areas. Almost half of authorities reduced their capital spending. Most service areas saw an increase in capital spend with the exception of culture and leisure: capital spending fell by 22 per cent overall in this area.

The NAO's report, published on 15 June, found that authorities face a growing challenge to continue long-term investment in their existing assets. Total spending has remained stable, but increasingly capital activities are focused on 'invest to save' and growth schemes that cover their costs or have potential to deliver a revenue return. Many areas of authorities' asset management programmes do not meet these criteria and are now seen as a lower priority.

The report also notes that local authorities' debt servicing costs have grown as a proportion of revenue spending as revenue resources have fallen. A quarter of single-tier and county councils now spend the equivalent of 10 per cent or more of their revenue expenditure on debt servicing, with metropolitan district councils being particularly exposed.

According to the NAO, DCLG has rightly focused on revenue issues in the 2015 Spending Review but in future reviews will need to focus more on capital. The Department is confident from its engagement with authorities that revenue pressures are their main concern, however the NAO's analysis demonstrates that capital costs exert significant and growing pressure on revenue resources.

The full report is available at:

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-capital-expenditure-and-resourcing/>

# The changing face of Corporate Reporting

We have established a global network of public sector auditors and advisors to share good practice and to provide informed solutions to the corporate reporting challenges our clients face.

We were fortunate to have the CEO of the IIRC speak at our most recent meeting. Integrated Reporting, <IR>, is a new approach to corporate reporting and it is building a world-wide following in both the public and private sectors.

In the commercial sector, <IR> has led to improvements in business decision making, the understanding of risks and opportunities as well as better collaborative thinking by boards about goals and targets.

<IR> is based on integrated thinking that results in a report by an organisation about sustainable value creation. It requires a more cohesive and efficient approach to organisational reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time.

By moving the focus away from only short-term, backward looking, financial reporting, <IR> encourages organisations to report on a broader range of measures that link their strategic objectives to their performance. The result is an overview of an organisation's activities and performance in a much wider, more holistic, context.

- <IR> encourages organisations to consider whether there are any gaps in the information that is currently available to them, so that integrated thinking becomes embedded in mainstream practice.
- <IR> is underpinned by the International <IR> Framework published in December 2013. It is principles-based, allowing organisations to innovate and develop their reporting in the context of their own regulatory framework, strategy, key drivers, goals and objectives.

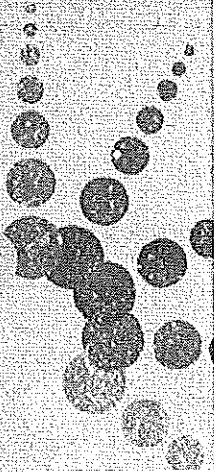
- <IR> is consistent with the Strategic Reports required from UK companies, the Performance Reports that government departments, agencies and NHS bodies produce and the developing Narrative Reporting in local government.

The IIRC has established a Public Sector Pioneer Network to consider why and how the public sector can adopt <IR>, with the end goal of improving transparency and building trust. There is already a core of UK organisations within this such as the World Bank Group, UNDP, the City of London Corporation, the Wales Audit Office and UK government departments.

<Integrated Reporting>

Further information is available on the IIRC's website

Grant Thornton  
Technical update





### Accounting and audit issues

#### Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

CIPFA/LASAAC has issued the Local Authority Accounting Code for 2016/17. The main changes to the Code include:

- the new measurement requirements at depreciated replacement cost for the Highways Network Asset (HNA) and
- the requirement for local authorities to report in the Comprehensive Income and Expenditure Statement on the same basis as they are organised and report in the year (ie. no longer following SERCOP). This is accompanied by the introduction of a new Expenditure and Funding Analysis which provides a reconciliation between the way local authorities budget and report during the year and the Comprehensive Income and Expenditure Statement.

In respect of HNA, the Accounting Code requires local authorities to comply with the CIPFA Code of Practice on Transport Infrastructure Assets issued in 2013. The Transport Infrastructure Code is currently being revised and will be reissued as the Highways Network Asset Code (HNA Code) over the summer of 2016. Whilst no major changes are expected to the basis of the accounting set out in the previous Code of Practice on Transport Infrastructure Assets, the detailed accounting requirements will not be finalised until the updated HNA Code is formally issued. **As discussed with management, we understand that the Authority does not have a Highways Network Asset.**

The key challenge for local authorities is around the accuracy and completeness of supporting records for HNA inventory and condition at 1 April 2016 and effective arrangements for recording expenditure and other movements on HNA from that date.

#### Challenge questions:

- Is your Finance team aware of the changes to the 2016/17 Code and have they assessed the potential impact?



## Accounting and audit issues

### Flexible use of capital receipts

DCLG has issued a Direction and Statutory Guidance on the flexible use of capital receipts to fund the revenue costs of reform projects. The direction applies from 1 April 2016 to 31 March 2019.

The Direction sets out that expenditure which 'is incurred by the Authorities that is designed to generate ongoing revenue savings in the delivery of public services and/or transform service delivery to reduce costs and/or transform service delivery in a way that reduces costs or demand for services in future years for any of the public sector delivery partners' can be treated as capital expenditure.

Capital receipts can only be used from the disposals received in the years in which the flexibility is offered rather than those received in previous years.

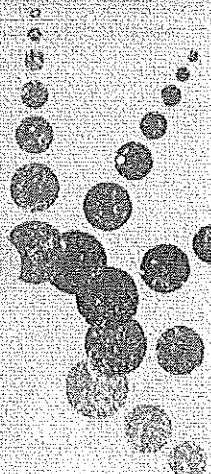
Authorities must have regard to the Statutory Guidance when applying the Direction.

### Challenge questions:

- Is your Director of Resources aware of this new direction?



Grant Thornton  
Publications and  
events



# Culture of Place

Our towns, counties and cities have distinct and varied cultures

Our towns, counties and cities have their own compelling and richly varied cultures. There are shared and sometimes contested values, local traditions, behaviours and drivers for change. Culture evokes memory and identity. It affects how we feel about where we live and work and what's possible. It can be a set of stories describing how we do things around here, bringing out the best in us – like our history and heritage – but also preventing us from moving forward.

With local authorities increasingly adopting a place-shaping role we're exploring how culture impacts on the sector's ability to facilitate and support a vibrant economy.

We have hosted two round tables with local authority CEOs, leaders and others, to consider how local authority leadership needs to change if it is to take local culture into account.

From conversations with local authority CEOs, leaders and others, we have collated a selection of stories that invite us all to think about how the sector can disrupt fixed thinking, open up cultures and energise our places. They go beyond what's immediately obvious, voice what is sometimes unsaid and work with the strengths of their place.

## Grant Thornton reports

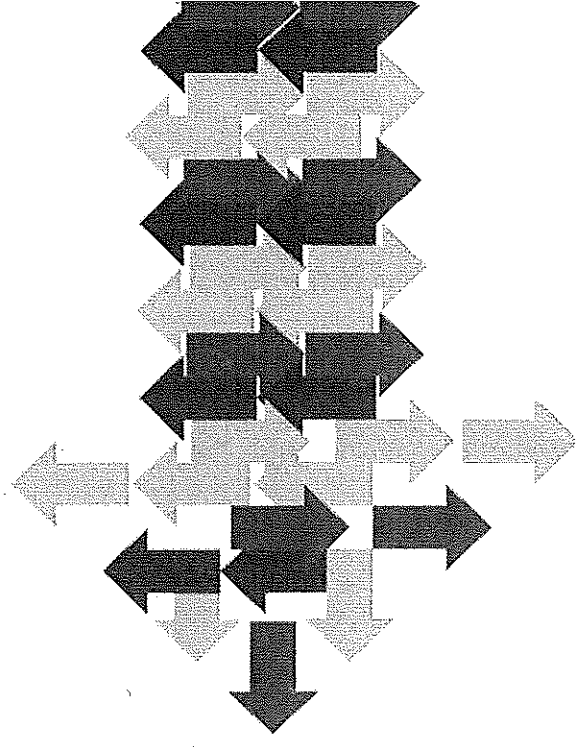
**Challenge question:**  
Is the Council familiar with this publication?

Although the term culture of place is heavily subjective our initial conversations suggest there are some common themes occurring.

- The place leader is the story teller – leaders need to be more deliberate in their storytelling, helping communities make sense of a complex world, the past, present and possible futures
- Being clear about what they want to see – there is a strong need to create an environment that gives people permission to care, to be innovative, to take action themselves, to adapt and experiment
- Socio-economic situations often drive the culture – the uniqueness of socio-economic factors leads to a recognition that one place will never be like another – and, in fact, should not aspire to be so - instead tailoring their approach to the areas specific strengths.
- It's all about context – areas within Britain can be local, national and international all at the same time, learning to live with, and get the best advantage from, what's on our doorstep is key.

A copy of the report and a collection of short videos can be found on our website at:

<http://www.granthornton.co.uk/en/insights/culture-of-place/>



# Advancing closure: the benefits to local authorities

With new regulation bringing forward the required publishing date for accounts local authorities must consider the areas needed to accelerate financial reporting.

In February 2015, regulations were laid before parliament confirming proposals to bring forward the date by which local authority accounts must be published in England. From 2017-18, authorities will need to publish their audited financial statements by 31 July, with Wales seeking to follow a similar approach over the next few years.

Many local government bodies are already experiencing the benefits of advancing their financial reporting processes and preparing their accounts early, including:

- raising the profile of the finance function within the organisation and transforming its role from a back office function to a key enabler of change and improvement across the organisation;
- high quality financial statements as a result of improved quality assurance arrangements;
- greater certainty over in-year monitoring arrangements and financial outturn position for the year, supporting members to make more informed financial decisions for the future;

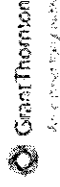
- improved financial controls and accounting systems, resulting from more efficient and refined financial processes; and
- allowing finance officers more time to focus on forward looking medium term financial planning and transformational projects, to address future financial challenges.

While there is no standard set of actions to achieve faster close there are a number of consistent key factors across the organisations successfully delivering accelerated closedown of their accounts, which our report explores in further detail, including:

- enabling sustainable change requires committed leadership underpinned by a culture for success
- efficient and effective systems and processes are essential
- auditors and other external parties need to be on board and kept informed throughout

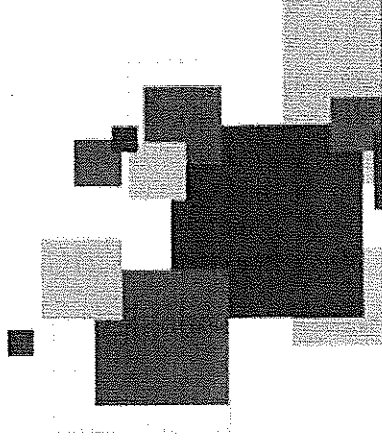
Grant Thornton reports

**Challenge question:**  
Is the Council familiar with this publication?



Advancing closure

Advancing closure: the benefits to local authorities



<http://www.grantthornton.co.uk/en/insights/advancing-closure-the-benefits-to-local-authorities/>

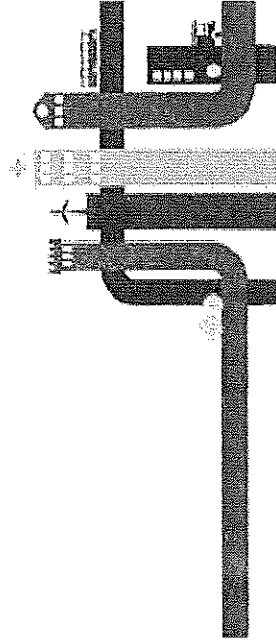
# Website Relaunch

We have recently launched our new-look website. Our new homepage has been optimised for viewing across mobile devices, reflecting the increasing trend for how people choose to access information online. We wanted to make it easier to learn about us and the services we offer.

You can access the page using the link below – <http://www.granthornton.co.uk/industries/public-sector/>

Public sector

## Innovation in public financial management



Local government

Local government webinar - Building a successful local authority

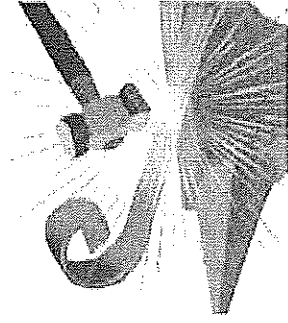
> Read more



Local government

Reforming local government

> Read more



Local government

How Shropshire Council delivers services using an I-ATC

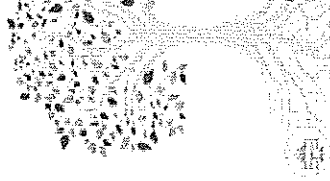
> Read more



Vibrant places

Growing healthy communities: Health and Wellbeing Index

> Read more



Local government

Understanding the tax implications of creating an LATC





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GRT102466

<b>Part One</b>	
<b>AUDIT COMMITTEE</b>	<b>(D)</b>
<b>Date of Meeting: 22nd December, 2016</b>	<b>Agenda</b>
<b>Reporting Officer: Director of Resources</b>	<b>Item</b>
<b>12</b>	
<p><b>Title: Barrow Town Hall Roof</b></p> <p><b>Summary and Conclusions:</b></p> <p>This report explains the difference between the Barrow Town Hall roof and stonework repairs final account and the agreed contract.</p> <p><b>Recommendations:</b></p> <p>To receive the report and raise any questions.</p>	

### Report

At the Audit Committee of the 15th September, 2016, the Internal Audit final report for the Barrow Town Hall roof and stonework repairs was presented. Members asked for additional information on the 11.7% difference between the final account and the agreed contract.

The Final Account of £753,086.89 for this contract exceeded the agreed contract sum of £674,237.00 by £78,849.89 (11.7%). The difference has arisen as a net result of:

- the inclusion of a significant number of additional items (as authorised by Architect's Instructions): £123,686.38;
- the omission of various items included within the agreed contract (as authorised by Architect's Instructions): £4,291.21; and
- all provisional sums/quantities included in the agreed contract being excluded from the Final Account: £40,545.28.

A number of the larger value additional items are listed below:

- Add slates to Phase 2 roof Q (part new slate): £16,043.50;
- Lead cladding to sides of lift plantroom: £12,900.00;
- Board out scaffold to allow for external painting. Additional cost to carry out extra painting: £9,460.00;
- Allowance for re-measure of roof slate areas to Phase 1 roofs: £10,774.93;

- Painter to proceed on site with mastic to windows on an hourly rate (£15). Remove only loose mastic and replace to suit. Painter to record hours each week for Architect's approval. Where windows have already had silicone applied the painter to remove what was loose and then re-silicone: £9,872.60; and
- Roof repairs to Banqueting Hall: £6,425.84.

Background papers

Nil.

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 13</b>
<b>Date of Meeting:</b>	<b>22nd December, 2016</b>	
<b>Reporting Officer:</b>	<b>Director of Resources</b>	
<p><b>Title: Ombudsman Report</b></p> <p><b>Summary and Conclusions:</b></p> <p>This report explains the difference between the Barrow Town Hall roof and stonework repairs final account and the agreed contract.</p> <p><b>Recommendations:</b></p> <p>To receive the report and raise any questions.</p>		

### Report

At the Audit Committee of the 15th September, 2016, the Ombudsman letter for the Council was presented and Members asked for a wider picture to provide some context for the level of Ombudsman complaints.

The Ombudsman issues and annual report for local government (copies can be provided) and these are the headline messages:

- 19,702 complaints and enquiries, which is a similar level to the previous year.
- Upheld 51% of detailed investigations, which has increased from 46% the previous year.
- Area most complained about is education and children's services.
- Also saw the biggest increase in percentage terms (13%) in complaints and enquiries about education and children's services.

The Ombudsman complaints for the Cumbrian districts are presented in the following tables. The first table shows the complaints received by service area (assigned by the Ombudsman). The second table shows the decisions or outcomes made in 2015-2016; these are not always going to be the complaints received in the same period so there are differences between the tables.

For the Council there were 9 complaints received in the year. Of the decisions made in 2015-2016 relating to Council complaints, 50% were settled locally and 1 of the 5 complaints that were not settled locally was upheld by the Ombudsman (20%), 4 were not settled or upheld.



Authority	Adult Social Care	Benefits & tax	Corporate & other services	Environmental services, public protection & regulation	Highways & transport	Housing	Planning & development	Other	Total
Allerdale BC	1	2	1	2	0	0	23	0	29
Barrow BC	0	5	0	1	0	0	3	0	9
Carlisle DC	1	3	2	1	0	2	3	0	12
Copeland BC	0	2	0	4	0	0	2	0	8
Eden DC	0	2	1	3	0	1	11	0	18
South Lakeland DC	0	1	1	2	0	0	6	0	10

Authority	Invalid or incomplete	Advice given	Referred back for local resolution	Closed after initial enquiries	Not upheld	Upheld	Uphold rate %	Total
Allerdale BC	0	0	4	6	0	20	100%	30
Barrow BC	0	0	5	0	4	1	20%	10
Carlisle DC	0	0	3	3	3	0	0%	9
Copeland BC	0	0	3	3	2	0	0%	8
Eden DC	0	0	7	1	8	1	11%	17
South Lakeland DC	0	1	2	6	1	0	0%	10

Background papers

Nil

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D)</b>
<b>Date of Meeting: 22nd December, 2016</b>		<b>Agenda</b>
<b>Reporting Officer: Director of Resources</b>		<b>Item</b>
		<b>14</b>
<p><b>Title: Auditor Appointment</b></p> <p><b>Summary and Conclusions:</b></p> <p>This report confirms the auditor appointment for 2017-2018 and future arrangements.</p> <p><b>Recommendations:</b></p> <p>To receive the report and raise any questions.</p>		

### Report

This report concerns the appointment of the external auditors. Members may recall that upon the ending of the Audit Commission, the Secretary of State for Communities and Local Government delegated statutory functions (from the Audit Commission Act 1998) to Public Sector Audit Appointments Limited (PSAA) on a transitional basis by way of a letter of delegation issued under powers contained in the Local Audit and Accountability Act 2014.

Under these transitional arrangements, the PSAA is currently responsible for appointing auditors to local government, police and local NHS bodies, for setting audit fees and for making arrangements for the certification of housing benefit subsidy claims.

The transitional arrangements have been extended by one year for local government and police bodies, so PSAA will continue to be responsible for appointing the auditors for the audit of the accounts for 2017-2018; see **Appendix 14** for confirmation.

In July 2016, the Secretary of State for Communities and Local Government specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. This means that PSAA can make auditor appointments for audits of the accounts from 2018-2019 of principal authorities that choose to opt into its arrangements.

PSAA has invited local authorities to become an opted in authority in accordance with the Regulations. The length of the compulsory appointing period is the 5 consecutive financial years commencing 1st April, 2018.

The decision to become an opted-in authority must be taken in accordance with the Regulations, which is by the Members of an authority meeting as a whole. This was presented to the Executive Committee on the 30<sup>th</sup> November, 2016, for decision at Council in January 2017.

Background papers

Nil

22 September 2016

Susan Roberts  
Director of Resources  
Barrow-in-Furness Borough Council  
Town Hall  
Duke Street  
Barrow-In-Furness  
Cumbria  
LA14 2LD

Email auditorappointments@psaa.co.uk

Dear Ms Roberts

**Barrow-in-Furness Borough Council - confirmation of auditor appointment for 2017/18**

I am writing to confirm the appointment of Grant Thornton UK LLP to audit the accounts of Barrow-in-Furness Borough Council for 2017/18.

This is an extension of the appointment made under section 3 of the Audit Commission Act for the audit of the accounts up to 2016/17, under the audit contracts previously let by the Audit Commission. The auditor appointment has been extended for one year as a consequence of the extension of the transitional arrangements made by the Department of Communities and Local Government.

The appointment of Grant Thornton UK LLP under the current audit contracts will conclude with the completion of the audit of the accounts for 2017/18.

**Extension of the transitional arrangements**

Following the closure of the Audit Commission in 2015, the Secretary of State for Communities and Local Government delegated statutory functions on a transitional basis from the Audit Commission Act 1998 to PSAA. These were delegated by a commencement order made under the Local Audit and Accountability Act 2014.

In October 2015, the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the audit contracts for a period of one year for audits of principal local government bodies only. A commencement order was made on 27 June 2016, supported by a revised letter of delegation to PSAA.

The audit contracts novated to PSAA have therefore also been extended for one year for principal local government bodies, and will end with the completion of the audits of the 2017/18 accounts.

### **Changes to auditor appointments**

Please be aware that it is a statutory requirement for PSAA to make the auditor appointment for principal local government bodies for 2017/18, on the basis of the provisions set out in the Audit Commission Act 1998.

If you wish to make representations about the extension of the current auditor appointment, please send them by email to [auditorappointments@psaa.co.uk](mailto:auditorappointments@psaa.co.uk) by **7 October 2016**. Your email should set out the reasons why you think the appointment should change. Any changes in auditor appointments can only be made under these audit contracts for the 2017/18 audit.

We will consider carefully any representations you make about your current auditor appointment. If we accept your representations, we will consult you on an alternative appointment.

### **Local auditor appointment requirements from 2018/19**

The arrangements for local auditor appointment set out in the Local Audit and Accountability Act will apply for audits of the accounts of principal local government bodies from 2018/19 onwards. Auditor appointments must be made for 2018/19 audits by 31 December 2017, as required by section 7 of the Local Audit and Accountability Act 2014. Appointments may be made by the audited body itself, by groups of audited bodies, or by a specified appointing person.

PSAA has been specified by the Secretary of State for Communities and Local Government as the appointing person for principal local government bodies under the provisions of the 2014 Act. This means that PSAA will make auditor appointments to relevant principal local government bodies that choose to opt into the national appointment arrangements PSAA is developing. We will be communicating with audited bodies separately on this.

If you have any questions about your auditor appointment, please email us at [auditorappointments@psaa.co.uk](mailto:auditorappointments@psaa.co.uk).

Yours sincerely



Jon Hayes  
Chief Officer

		<b>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D)</b>
<b>Date of Meeting: 22nd December, 2016</b>		<b>Agenda</b>
<b>Reporting Officer: Director of Resources</b>		<b>Item</b>
		<b>15</b>
<b>Title: Audit Committee 2017-2018</b>		
<b>Summary and Conclusions:</b>		
This report raises the issue of earlier closing of the Council's accounts and the Audit Committee meeting required.		
<b>Recommendations:</b>		
<ol style="list-style-type: none"> <li>1. To agree the early closedown approach for the 2016-2017 accounts; and</li> <li>2. To agree that the Director of Resources liaise with the Chairman and Democratic Services Manager in setting the Audit Committee dates for the 2017-2018 municipal year.</li> </ol>		

### Report

The Statement of Accounts for 2017-2018 must be closed by 31st May, 2018 and be audited and issued by 31st July, 2018.

In order to prepare for the challenging timeframe, officers have undertaken a review of current processes, attended various training and best practice events and also have ongoing discussions with the external auditors. It is the Council's intention to close the 2016-2017 accounts by 31st May, 2017, in order to test out the adapted processes and procedures.

In terms of the Audit Committee this will mean a meeting at the end of July 2017 (Thursday the 27th) is required at which the Statement of Accounts, Annual Governance Statement, Letter of Representation and Annual Governance Report will all be presented for the issue or publication to occur by 31st July, 2017.

Members are recommended to agree this approach to the 2016-2017 closedown and also to agree that the Director of Resources liaise with the Chairman and Democratic Services Manager in setting the Audit Committee dates for the 2017-2018 municipal year.

### Background papers

Nil

<b>AUDIT COMMITTEE</b>		<b>Part One</b>
<b>Date of Meeting: 22nd December, 2016</b>		<b>(D) Agenda Item 16</b>
<b>Reporting Officer: Corporate Support Manager</b>		
<p><b>Title: Risk Management</b></p> <p><b>Summary and Conclusions:</b></p> <p>Provide Members with the Council's Risk Registers for 2016/17.</p> <p><b>Recommendations:</b></p> <p>To consider the report and determine whether further action is required.</p>		

### Report

The latest Corporate Risk Register for 2016/17 is attached as **Appendix 15**. It continues to focus on those business critical risks which are under the control of the Council.

The latest Operational Risk Register for 2016/17 is attached as **Appendix 16**.

The Risk Register was reviewed by Management Board at their meeting in November 2016 and there have been no changes made since the last meeting of this Committee in September.

### 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)</p> <p>- 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.</p> <p>- 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>5</p>	<p>25</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 2019-202 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>5</p>	<p>15</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>	<p>4</p>	<p>4</p>	<p>16</p>	<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>	<p>Director of Resources</p>	<p>3</p>	<p>3</p>	<p>12</p>
<p><b>Corporate 5 2016/1</b> Impact of Welfare Reform changes</p>	<p>4</p>	<p>4</p>	<p>16</p>	<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>	<p>Management Board</p>	<p>4</p>	<p>3</p>	<p>12</p>
<p><b>Corporate 6 2016/1</b> Delivery of the water front regeneration programme</p>	<p>4</p>	<p>4</p>	<p>16</p>	<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>	<p>Executive Director</p>	<p>3</p>	<p>3</p>	<p>9</p>

<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> 2016/1 Effective workforce planning</p>	<p>4</p>	<p>4</p>	<p>16</p>	<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>	<p>Director of Resources</p>	<p>4</p>	<p>3</p>	<p>12</p>
<p><b>Corporate 11</b> 2016/1 Incidents of fraud, bribery or corruption</p>	<p>2</p>	<p>2</p>	<p>4</p>	<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>	<p>Director of Resources</p>	<p>1</p>	<p>2</p>	<p>2</p>
<p><b>Corporate 12</b> 2016/1 Major incident affecting service delivery</p>	<p>1</p>	<p>5</p>	<p>5</p>	<p>Widespread damage due to fire, flooding or severe weather.</p>	<p>Business continuity plan. Contingency plans. Remote access to Council systems</p>	<p>Executive Director</p>	<p>1</p>	<p>4</p>	<p>4</p>
<p><b>Corporate 13</b> 2016/1 Major incident affecting ICT systems</p>	<p>1</p>	<p>4</p>	<p>4</p>	<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>	<p>Director of Resources</p>	<p>1</p>	<p>3</p>	<p>3</p>

Operational risks November 2016

Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
<b>Operational 1 2016/1</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 November 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 November 2016

Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
<p><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</p>	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
<p><b>Operational 7 2016/17/1</b> Unplanned outage of the cremator.</p>	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
<p><b>Operational 8 2016/17/1</b> Failure of swimming pool filters or other equipment and downtime for major maintenance work.</p>	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 November 2016

Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
Operational 9 2016/17/1 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
Operational 10 2016/17/1 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
Operational 11 2016/17/1 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>Part One</b>
<b>AUDIT COMMITTEE</b>		<b>(D) Agenda Item 17</b>
<b>Date of Meeting:</b>	<b>22nd December, 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>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 is one priority 1 recommendation from the audit report (CR90) relating to the re-roofing of Units 9 & 10 on James Freel Close. This related to partial completion of the Contract Management Checklist and payment of the final account before completion of the audit review. There is no action to be taken regarding this specific case but arrangements have been put in place by the Assistant Director of Regeneration and the Built Environment to ensure that the process is more robust in the future.

### Background Papers

Nil