

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 23rd March, 2017
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 22nd December, 2016 (copy attached) (Pages 1-11).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Internal Audit Final Reports (Pages 12-13).
- (D) 8. Internal Audit Progress Report (Page 14).

- (D) 9. Internal Audit Annual Plan (Page 15).
- (D) 10. External Audit Committee Update (Page16).
- (D) 11. External Audit Annual Plan (Page 17).
- (D) 12. Audit Committee Update (Page 18-23).
- (D) 13. Going Concern (Pages 24-26).
- (D) 14. Accounting Policies (Pages 27-28).
- (D) 15. Audit Committee Assurance (Page 29).
- (D) 16. Audit Committee Work Plan (Page 30).
- (D) 17. Risk Management (Page 31).
- (D) 18. Monitoring Priority 1 Recommendations (Pages 32-33).
- (D) 19. Code of Corporate Governance (Pages 34).

**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:

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

Published: 15th March, 2017

AUDIT COMMITTEE

Meeting Thursday 22nd December, 2016
at 2.00 p.m.

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

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

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

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

Discussion arising hereon it was

RESOLVED:- That under Section 100A(4) of the Local Government Act 1972 the public and press be excluded from the meeting for the following items of business on the grounds that they involved the likely disclosure of exempt information as defined in Paragraph 3 (Minute No. 41) of Part One of Schedule 12A of the said Act.

27 – Declarations of Interest

Councillor Callister declared an other registrable interest in Agenda Item 18 – Barrow Playing Fields Association as he offered advice on an ad hoc basis to the Association via the Lancashire FA.

28 – Minutes

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

29 – Apologies for Absence/Attendance of Substitute Members

Apologies for absence had been received from Councillor Blezard and Neil Krajewski from Grant Thornton. Councillor Sweeney replaced Councillor Blezard for this meeting only.

30 – 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 the Committee for consideration.

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

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

1. Barrow Cemetery NW Extension – Restricted Assurance
2. Housing Stock Condition Survey – Restricted Assurance
3. IT Service Desk – Substantial Assurance
4. Leisure Centre – Substantial Assurance
5. Council Tax and Council Tax Support – Substantial Assurance
6. National Non Domestic Rates – Substantial Assurance
7. Budgetary Control – Unqualified Assurance
8. Treasury Management – Unqualified Assurance
9. Housing Rents – Substantial Assurance

Members considered the reports and raised their concerns with the Council's Internal Audit Manager.

RESOLVED:- To note the Internal Audit Final Reports.

31 – 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 Council's Internal Audit Manager.

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

There had been three Priority 1 recommendations since the previous Audit Committee.

The report contained a Statistical Summary of the number of Audit recommendations (48). It was noted that 41 recommendations had been Fully Accepted and 7 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. 4 had been rated a Priority 1, 35 had been rated Priority 2 and 9 had been rated Priority 3.

The Council's Internal Audit Manager reported that the Fraud Hotline was a well used service and presented the following statistics to Members:-

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

The Council's Internal Audit Manager reported that the Public Sector Internal Audit Standards (PSIAs) required Internal Audit to be measured in terms of performance. The indicators below provided 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%

The Chairman thanked the Internal Audit Team for all the work carried out.

RESOLVED:- That the report be received.

32 – External Audit Annual Letter for the year ended 31st March, 2016

The External Auditor presented the Annual Audit Letter for the year ended 31st March, 2016. A copy of the Annual Audit Letter had been appended to the report. The letter summarised the key findings which had arisen from the following works the External Auditor had carried out at the Council for the year ended 31st March, 2016:-

- Financial Statements;
- Audit (including Audit opinion);
- Audit Fee;
- Value for Money; and
- Conclusion

The Audit conclusions were as follows:-

- An unqualified opinion on the Council's accounts which gave a true and fair view of the Council's financial position as at 22nd September, 2016 and its Income and Expenditure for the year; and
- An unqualified conclusion in respect of the Council's arrangements for securing the economy, efficiency and effectiveness in its use of resources.

Key Areas for Council Attention

- 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 was 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 would determine how savings were to be realised.

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

33 – External Audit – Certification Work

The External Auditor presented the certification report for 2015/2016. They explained that they were required to certify certain claims and the returns submitted by the Council. The certification typically took place 6-9 months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

They had certified one claim for the financial year 2015/16 relating to Housing Benefits. The certification report had been appended to the report. The work on this claim indicated that the Council had appropriate arrangements to compile and complete claims for audit certification on a timely basis. However, the detailed work identified a number of errors which led them to qualify the claim.

The work on Housing Benefits required them to undertake a series of tests to certify the return that the Council submitted 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 included £0.32 million for the administration of Housing Benefits.

In accordance with the instructions agreed with the PSAA and the DWP the Auditors undertook a programme of testing. The instructions required them to test initial samples for each of the three main benefit types, Rent Rebates, Non-Housing Revenue Account Rent Rebate and Rent Allowance. They were 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 the 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.

The approach to the design of the follow-up testing took account of management's response to a recommendation the Auditors made in the prior year and 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. The Auditors reviewed this work and were satisfied that it provided the necessary assurance that there were no errors affecting these cases. This meant that they 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.

Full details of all claims and returns subject to certification had been provided in the letter appended the report.

The qualification letter was issued on 29th November, 2016 ahead of the deadline of 30th November, 2016. The indicative grant claim certification fee for 2015/16 for the Council was 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 required 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 the Auditors undertook to review management's checks on high value overpayments represented an increase on the equivalent testing undertaken in previous years. On this basis, the Auditors had agreed with management that an additional fee of £5,785 would be levied to reflect the extra work undertaken.

RESOLVED:- To receive the External Auditors report.

34 – External Audit Progress and Update Report

The External Auditors had produced a progress and update report to Members.

The report provided the Committee with details of the Auditors progress in delivering their responsibilities as External Auditors. This also included a summary of emerging national issues and developments that may be relevant to the Council as well as a number of challenge questions in respect of those emerging issues which the Committee may wish to consider.

A table of progress as at 13th December, 2016 had been presented as follows:-

Work Undertaken	Expected Date of Completion	Comments
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. We also inform you of any subsequent changes to our audit approach.	March 2017	We will present our Audit Plan for 2016/17 to the Audit Committee at its meeting in March 2017.
Interim accounts audit Our interim fieldwork visit includes: <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems 	January - March 2017	We plan to undertake our interim audit work in January 2017. Any significant matters arising from that work will be presented as part of Audit Plan in March 2016

<ul style="list-style-type: none"> • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 		
Certification Audit <ul style="list-style-type: none"> • 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 th November, 2016 ahead of deadline of 30 November 2016. The outcome of our certification work is included as a separate item on the agenda for today's meeting.

2016/17	Expected Date of Completion	Comments
Final Accounts Audit Including: <ul style="list-style-type: none"> • audit of the 2016-17 financial statements • proposed opinion on the Council's accounts 	Planned for June - July 2017	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.
Value for Money (VfM) conclusion 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	February - July 2017	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>deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> • Informed decision making • Sustainable resource deployment • Working with partners and other third parties 		
---	--	--

Members of the Audit Committee were reminded that they could find further useful material on the Grant Thornton website where they had a section dedicated to their work in the Public Sector.

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

35 – Barrow Town Hall Roof

The Director of Resources reported that at the Audit Committee on 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 had 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 were as follows:

- 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.

RESOLVED:- To receive the report.

36 – Ombudsman Report

The Director of Resources reported that at the Audit Committee on 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 issued an annual report for Local Government and the headline messages were:-

- 19,702 complaints and enquiries, which was a similar level to the previous year;
- Upheld 51% of detailed investigations, which had increased from 46% the previous year;
- Area most complained about was education and children’s services; and
- 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 were 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 were not always going to be the complaints received in the same period so there were differences between the tables.

Table 1

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

Table 2

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

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 was not settled locally was upheld by the Ombudsman (20%), 4 were not settled or upheld.

RESOLVED:- To receive the report.

37 – Auditor Appointment

The Director of Resources reported 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 was 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 had been extended by one year for local government and police bodies, so PSAA would continue to be responsible for appointing the auditors for the audit of the accounts for 2017-2018. Confirmation of the auditor appointment for 2017/18 was attached to the report 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 meant that PSAA could make auditor appointments for audits of the accounts from 2018-2019 of principal authorities that choose to opt into its arrangements.

PSAA had invited local authorities to become an opted in authority in accordance with the Regulations. The length of the compulsory appointing period was 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 was by the Members of an authority meeting as a whole. This was presented to the Executive Committee on 30th November, 2016, for decision at Council in January 2017.

RESOLVED:- To receive the report.

38 – Audit Committee 2017-2018

The Director of Resources reported that 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 had undertaken a review of current processes, attended various training and best practice events

and also had ongoing discussions with the external auditors. It was 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 would mean a meeting at the end of July 2017 (Thursday 27th) was required at which the Statement of Accounts, Annual Governance Statement, Letter of Representation and Annual Governance Report would all be presented for the issue or publication to occur by 31st July, 2017.

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

RESOLVED:- (i) To agree the early closedown approach for the 2016-2017 accounts; and

(ii) 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.

39 – 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 in November 2016 and no material changes were made.

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

RESOLVED:- To note the report.

40 – Monitoring Priority 1 Recommendations

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

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

There was one ongoing Priority 1 recommendation relating to the re-roofing of Units 9 and 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 was no action to be taken regarding this specific case but arrangements had been put in place by the Assistant Director of Regeneration and Built Environment to ensure that the process was more robust in the future.

RESOLVED:- To note the report.

41 – Barrow Playing Fields User Association

The Director of Resources reported that at the Audit Committee on 15th September, 2016, Members had requested a briefing note on the Barrow Playing Fields User Association (Association).

The Association was responsible for the general maintenance of playing surfaces, cleanliness and shower facilities within changing rooms and the provision of sports furniture and line marking, in relation to publicly owned football pitches throughout the Borough.

The Council supported the Association's costs with an annual grant (grass cutting duties were undertaken as part of the Council's grounds maintenance contract).

Grants paid to the Association by the Council, receipts generated and payments incurred were detailed within the report.

Members agreed that the service was of value and without it sport within the Borough would reduce significantly.

It was noted that Development Services were undertaking an audit of playing pitches and sports facilities within the Borough. The Director of Resources agreed to report findings of the survey back to this Committee when completed.

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

(ii) That the Director of Resources present findings of the playing pitches and sports facilities survey to the Audit Committee when completed.

The meeting closed at 2.40 p.m.

AUDIT COMMITTEE		Part One
Date of Meeting: 23rd March, 2017		(D) Agenda Item 7
Reporting Officer: Director of Resources		
Title: Internal Audit Final Reports		
Summary and Conclusions:		
Internal Audit performs audits in accordance with the approved Annual Plan. Final reports are presented to Members by the Head of Internal Audit.		
Recommendations:		
To receive the Internal Audit Final reports and raise any questions.		

Report

There are eight final reports for consideration by Members:

- Receivables; **Appendix 1**
- Income Collection; **Appendix 2**
- Cash Receipting and Floats; **Appendix 3**
- Payables; **Appendix 4**
- Payroll; **Appendix 5**
- Risk Management; **Appendix 6**
- Housing Benefits; **Appendix 7**

Contract Audits

CHP refers to Cumbria Housing Partnership

- CHP Void Repairs 2016-19; **Appendix 8**

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

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

The assurance levels are:

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

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

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

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

The recommendation levels assigned to issues identified are:

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

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

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

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

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 16-14
ACCOUNTS RECEIVABLE

Executive Summary

Introduction

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

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

During 2016/17 to date, the Council has raised 3,542 invoices with a value of approximately £4.18 million. At 11th January 2016 the balance on the Receivables Ledger was £211,514. The writing off of irrecoverable debts is approved at the end of each financial year; for 2015/16, these amounted to £42,198.

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 Accounts Receivable system. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

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

Key Points
Substantial Assurance
One minor issue
Three 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 may put some of the system objectives at risk, the majority of which relate to previously identified issues. We have raised one Priority 3 recommendation which relates to:

- considering whether the current recovery procedures require amendment providing a wider opportunity for customers to pay by instalments.

Internal Audit reviewed the agreed recommendation made in the previous audit report 15-14, dated April 2016. The recommendation has been implemented.

Internal Audit also reviewed the two agreed recommendations made in audit report 14-14, dated March 2015. One recommendation has been implemented and one recommendation remains outstanding and concerns:

- ensuring action is taken to address issues identified in the Sundry Billing & Recovery Review from August 2014 (Priority 2).

In addition, Internal Audit also reviewed the two outstanding recommendations made in audit report 13-11, dated March 2014. The recommendations have both been implemented.

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

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

Finally, Internal Audit reviewed the outstanding recommendation made in audit report 09-14, dated May 2010. The recommendation has been implemented.

Management Response

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

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 16-01
INCOME COLLECTION

Executive Summary

Introduction

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

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

Audit Objectives

An audit of this system forms part of the agreed 2016/17 programme. The audit objectives were to evaluate and test specific internal controls for the collection and receipting of income within the Council. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

Key Points
Substantial Assurance
One minor issue
One Previous Recommendation

Audit work included testing of the operation of key controls.

Audit Conclusion – *Substantial Assurance*

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

- considering providing the Service Accountant with a copy of show/performance contracts, or relevant sections of, to assist in the calculation of the settlement fee.

Internal Audit reviewed the outstanding recommendation made in Audit Report 14-01, dated September 2014. The recommendation has been partially implemented, the remaining aspects relate to:

- reviewing the Forum daily reconciliation sheets and ensuring that they are accurately and consistently completed, including completion of all sections of the reconciliation sheet.

Internal Audit also reviewed the outstanding recommendation from audit report 13-01, dated February 2013 which has now been implemented.

Management Response

We have received a constructive management response from the Financial Services Manager, partially 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 16-06
Cash Floats & Receipting Controls

Executive Summary

Over recent years a number of Council Departments have ceased to collect income through face to face mechanisms due to the increasing availability of electronic payment methods. In 2012 the Council introduced an electronic receipting system for utilisation by "Customer Services"; however, a small number of departments continue to receipt income manually. Where this occurs, receipts are required to be completed, issued and summarised on the appropriate Council Paying-in Sheet; this needs to be in accordance with the Council's General Procedures for Receiving Income.

In addition the Council hold a number of "cash floats" to assist with the income collection for the relevant services; in total the floats amount to just over £2,000.

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 manual and electronic receipting systems, in addition to cash float verification. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

A list of all Receipt Books checked and the corresponding Department is included.

Key Points
Substantial Assurance
Three minor issues
One Previous Recommendation

Audit Conclusion – *Substantial Assurance*

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

- all floats/imprests are accurately maintained in accordance with the certified amounts held by Finance.;
- all cash imprests are held securely; and
- all receipt reference numbers, where cheque/postal order payments have been made, are recorded on the relevant Paying in Slip.

Internal Audit also reviewed the outstanding recommendation from Audit report 14-06, dated February 2015, which relates to, the Council ensuring that all carbonated copies within receipt books are legible and fully completed, this recommendation remains outstanding.

Management Response

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

Acknowledgement

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

Receipt Books

Receipt Book Number	Responsible Department
Electronic receipts issued throughout 2016/17	CRM
165, 166, 167	Market

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 16-18
ACCOUNTS PAYABLE

Executive Summary

Introduction

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

The system currently holds records for 4,765 suppliers; the following payments were made in the period up to 22nd November 2016:

	Number	Amount (£000)
Suppliers	3,154	16,764
Rent Allowances	13,266	7,539
Council Tax & Business Rate Refunds	1,147	447
Housing Rent Refunds	136	55

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 Accounts Payable system. The scope and objectives of the audit were discussed and agreed in advance with the Financial Services Manager.

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

Key Points
Substantial Assurance
One important issue
One minor issue
Two previous recommendations

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there is a basically sound system of control, there are weaknesses which may put some of the system objectives at risk.

We have made one Priority 2 recommendation which concerns ensuring:

- the schedule of Direct Debits is accurate, complete and consistently maintained; and that all Direct debits are appropriately authorised.

We have also made one Priority 3 recommendation, which relates to:

- ensuring officers certifying invoices for payment are only authorising payments within their approved cost centres.

Internal Audit reviewed the agreed recommendations made in Audit Report 15-18, dated December 2015. Two recommendations have been implemented; however, one recommendation remains outstanding and concerns:

- ensuring all supplier invoices are checked against purchase orders and that this check is evidenced.

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

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

Management Response

We have received a constructive management response from the Financial Services Manager, accepting 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 16-13
PAYROLL

Executive Summary

Introduction

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

The October 2016 monthly payroll involved employee costs of approximately £525,000 with net payments of £336,000 to 267 officers and 35 Councillors.

Audit Objectives

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

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

Key Points
Substantial Assurance
Three important issues

Audit Conclusion – *Substantial Assurance*

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

- ensuring all expense claims are properly authorised prior to submission for payment;
- reminding staff that all overtime claims are to be retained as evidence of extra hours worked and authorised; and
- investigating the apparent underpayment of basic pay made to the named individual.

Internal Audit also reviewed the four outstanding agreed recommendations made in Audit Report 15-13, dated January 2016. All recommendations had been implemented.

Management Response

We have received a constructive management response from the Financial Services 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 16-05
RISK MANAGEMENT

Executive Summary

Introduction

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

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

The Corporate Support Manager maintains the Council's Risk Register, monitors action plans and prepares quarterly reports for Members and senior managers. Risks are assigned a score on the basis of their likelihood and impact. For the higher ranking risks above a defined "appetite", mitigating actions are required to reduce the score to an acceptable level. The latest Register identifies 13 strategic/corporate risks and 11 operational risks.

A further, specific, aspect of risk management is business continuity. The Council has a Business Continuity Plan which aims to ensure as far as possible the continuation of its services in the event of a major disruption. The Plan identifies key roles, responsibilities and contacts for recovering critical functions and activities.

Audit Objectives

An audit of this system forms part of the agreed 2016/17 programme. The audit objectives were to evaluate and test the high level controls over the Risk Management process. The scope and objectives of the audit were discussed and agreed in advance with the Corporate Support Manager.

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

Key Points

Substantial Assurance

**Three previous
recommendations**

Audit Conclusion – *Substantial 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. However our review of earlier recommendations indicates that there are weaknesses, which put some of the system objectives at risk.

Internal Audit identified that the agreed recommendation made in the previous audit report 15-05 had been implemented.

Internal Audit reviewed the two outstanding recommendations made in the previous audit report 14-05, dated December 2014. One recommendation, which had been partially implemented, has now been completed; the other recommendation remains outstanding and relates to:

- arranging specific specialist training in risk management for appropriate Councillors and Officers (Priority 2).

Finally, Internal Audit reviewed the implementation of the outstanding elements of two recommendations made in Audit Report 11-08 (Business Continuity), dated December 2011. These remain outstanding and concern the Council:

- strengthening Business Continuity Management (BCM) arrangements by:
 - c) considering suitable training for all staff directly responsible for, or involved in, BCM at both corporate and departmental levels, to include scenario exercises; and
 - d) promoting, where possible, an awareness of BCM amongst all staff with the aim of embedding its principles into their day to day activities (Priority 1); and
- ensuring that it has a sound infrastructure in place to support its Business Continuity arrangements effectively (Priority 2).

Management Response

We have received a constructive management response from the Corporate Support 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 16-02
HOUSING BENEFITS

Executive Summary

Introduction

The Council's Housing Benefits service is administered by an external provider, Liberata, under a client/contractor relationship, which has been in existence since 1998. The company uses Northgate's iWorld benefits and Anite document management systems to process and record claims. The contractor's performance is monitored by the Client Section of the Council's Finance Department.

At the time of the audit review, there were over 5,000 live Housing Benefit claims; most of the total benefit expenditure of around £20 million is met by subsidy from Central Government.

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 Benefits system. The scope and objectives of the audit were discussed and agreed in advance with the Director of Resources and the Liberata Service Team Manager.

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

Key Points
Substantial Assurance
Two important issues
One previous recommendation

Audit Conclusion – *Substantial Assurance*

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

- requests for benefit reconsiderations and appeals are:
 - signed by the appellant; and
 - processed on a timely basis; and
- recovery of overpayments by sundry debtor invoice is carried out in line with procedures and, properly progressed.

Internal Audit also reviewed the implementation of the three outstanding recommendations from Audit Report 15-02, dated January 2016; all recommendations have been implemented.

In addition, Internal Audit reviewed the implementation of the three outstanding recommendations from Audit Report 14-02, dated January 2015; one recommendation remains outstanding. This relates to Liberata ensuring the volume of work outstanding/assigned to assessors is reduced to a more acceptable limit (Priority 2).

Management Response

We have received a constructive management response from the Head of R&B Shared Service accepting the two recommendations made.

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT CR114
CHP: HOUSING MAINTENANCE – VOID REPAIRS (2016-2019)

Executive Summary

Introduction

This project forms part of the Council's Housing Stock Planned Investment Works over the next four years.

The contract was awarded following a "mini competition" within the Procure Plus framework to AB Mitchell Developments Ltd; with budgeted expenditure of £200,000 per annum.

Audit Objectives

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

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

Key Points
Substantial Assurance
One minor issue

Audit Conclusion – *Substantial Assurance*

As a result of the audit we have concluded that while there appears to be a basically sound system of control, a weakness has been identified, which may put the system objectives at risk.

We have made one Priority 3 recommendation which concerns the Asset & Maintenance Manager ensuring that the tender notice includes a note stating that the Council is not bound to accept any tender.

Management Response

We have received a constructive management response from the Maintenance and Asset Manager accepting the recommendation.

Acknowledgement

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

CONTRACT PARTICULARS

Contract Title:	CHP Housing Maintenance – Void Repairs (2016-2019)
Contract Form:	Procure Plus framework agreement
Contractor:	AB Mitchell Developments Ltd
Engineer:	n/a
Quantity Surveyor:	n/a
Other Consultants	Baker Mallett – Principal Designer
Tender Sum:	n/a
Contract Sum:	n/a
Date for Possession:	n/a
Date for Completion:	n/a
Date of Practical Completion:	n/a
Extension of Time Granted:	n/a
Delay in Completion:	n/a
Liquidated and Ascertained Damages provision/paid/received:	n/a
Minimum Insurance Cover Required & Cover Confirmed	£10m Employers Liability £5m Public Liability
Minimum Bond Required	n/a
Retention Amount	n/a
Final Contract Valuation:	n/a
Anticipated Final Account Sum:	n/a
Percentage increase/decrease: Final Valuation against Contract Sum	n/a

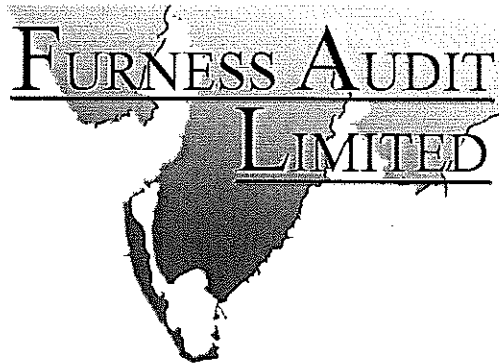
		Part One
AUDIT COMMITTEE		(D)
Date of Meeting: 23rd March, 2017		Agenda
Reporting Officer: Director of Resources		Item
		8
<p>Title: Internal Audit Progress Report</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Progress Report has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p>Recommendations:</p> <p>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 10th March, 2017 is attached at **Appendix 9** and will be presented to Members by the Head of Internal Audit

Background Papers

Nil



BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April 2016 to March 2017

2016/17

CONTENTS

Page

EXECUTIVE SUMMARY	3
1. STATISTICAL SUMMARY OF RECOMMENDATIONS	4
2. ACCEPTED PRIORITY 1 RECOMMENDATIONS	5
3. REJECTED RECOMMENDATIONS	6
4. INTERNAL AUDIT COVERAGE:	7
5. CONTRACT AUDIT	10
6. CLASSIFICATIONS	11
7. PERFORMANCE	13
APPENDIX 1 – RESTRICTED ASSURANCE AUDITS	12

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 10th March 2017, including final reports issued relating to a previous reporting period; and
- Significant issues that have arisen during this period as a result of our work.

Content

The information is presented in the following schedules:

1. *A Statistical Summary of Recommendations*

This schedule includes all audit recommendations to which Council management have responded between 1st April 2016 and 10th March 2017. 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 10th March 2017; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	61	4	41	16
Fully Accepted	53	4	35	14
Partly Accepted	8	-	6	2
Not Accepted	0	-	-	-

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

There have been no Priority One recommendations since the previous Audit Committee.

3. REJECTED RECOMMENDATIONS

3.1 PRIORITY ONE RECOMMENDATIONS

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

3.2 PRIORITY TWO RECOMMENDATIONS

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

4. INTERNAL AUDIT COVERAGE:

APRIL 2016 – MARCH 2017

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	ANNUAL AUDITS			
16-01	Income Collection	1	Final	Substantial
16-02	Housing Benefits	1	Final	Substantial
16-03	Council Tax & Council Tax Support	1	Final	Substantial
16-04	Business Rates (NNDR)	1	Final	Substantial
16-05	Risk Management	1	Final	Substantial
16-06	Cash Floats/Receipting Controls	-	Final	Substantial
16-08	Fraud and Corruption Survey	-	Complete	N/a
16-09	Performance Management	2	Draft	Restricted
16-10	Budgetary Control	2	Final	Unqualified
16-11	Treasury Management	2	Final	Unqualified
16-12	Car Park Meter Income	2	Initial Draft	Restricted
16-13	Payroll (inc Expenses)	2	Final	Substantial
16-14	Accounts Receivable	2	Final	Substantial
16-15	Corporate Control/Governance	2	Complete	N/a
16-16	Main Accounting System and Periodic Controls	2	Q3 complete	
16-17	Procurement (inc. Ordering)	2	Initial Draft	Restricted
16-18	Accounts Payable	2	Final	Substantial
16-19	Housing Rents	2	Final	Substantial
16-20	Standing Orders/Financial Regs/Council Plans & Policies	2	Comments provided	
16-21	Housing Maintenance (Day to day repairs)	2	Time allocated to probity	N/a
16-22	NFI	-	Ongoing	N/a
16-24	Benefit Certification	-	Ongoing	N/a
16-25	Lawson Street–Financial Check	-	Initial Draft	Restricted
16-26	Probity	-	Complete	N/a
16-27	Probity	-	Complete	N/a

Report Number	Audit Assignment	System Significance Band	Status	Assurance
16-28	Dog Kennels	-	Initial Draft	Restricted
16-29	Phoenix Business Centre	-	Ongoing	
16-30	Licencing Fees Review	-	Complete	N/a
16-31	Housing Rents - Transfer to new system	-	In Progress	
	COMMUNITY ORGANISATIONS AND MAYOR'S ACCOUNT			
-	Hawcoat	-	Complete	N/a
-	Abbotsvale	-	Complete	N/a
-	Dalton Community Association	-	Complete	N/a
-	Barrow Playing Fields Users Association 2013-14	-	Outstanding Issues	
16-23	Mayor's Account	-	Complete	N/a
	IT ENVIRONMENT AUDITS			
IT61	Service Desk	-	Final	Substantial
IT62	Payment Card Security	-	Draft	Substantial
IT63	Implementation Review	-	Fieldwork complete	N/a
16-07	IMPLEMENTATION REVIEW			
09-23	Asset Management	-	Complete	N/a
14-30	Dog Kennels	-	Complete	N/a

Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2016/17 (April 2016– March 2017)	51	3	4	58
2015/16 (Full year)	52	0	5	57

5. CONTRACT AUDIT

Report Number	Audit Assignment	Status	Assurance/ Comment
CR84	Barrow Cemetery NW Extension	Final	Restricted
CR86	Town Hall Roof	Final	Substantial
CR90	Re-Roofing Units 9 & 10 James Freel Close	Final	Restricted
CR99	Housing stock condition survey	Final	Restricted
CR110	Housing Maintenance Responsive Repairs	Final	Substantial
CR112	Housing Maintenance Gas Service Contract	Final	Substantial
CR114	CHP Housing Maintenance - Void Repairs 2015/19	Final	Substantial
CR100	Crematorium/Cemetery Office	Draft	No Assurance; further limited information provided Sept 16
CR111	Housing Management System	Draft	Restricted
CR80	Roa Island Jetty	Stage 4 Findings issued 15 th Sept 16	Response to findings received
CR91	Rawlinson Street Corridor	Stage 4 Findings issued 22 nd Dec 16	
CR94	2014 CHP Devonshire Road Improvements	Stage 1 Findings issued 4 th May 16	Stage 2/3 findings to issue
CR95	Town Hall Ground Floor Improvements	Stage 4 Findings to issue	
CR97	Maritime Streets Landscaping Design	Stage 3 completed 17 th Sept 15	Awaiting response to findings
CR98	Maritime Streets Landscaping Works		Awaiting further information
CR107	High level electrical repairs & festive lighting	Stage 1 completed 9 th Oct 15	Awaiting Stage 2 checklist
CR108	Electrical reactive repairs & maintenance	Stage 1 completed 6 th Nov 15	Awaiting Stage 2 checklist
CR113	Recycling Containers	Stage 1 checklist received	
CR115	Refuse, Recycling & Street Cleansing 2017-24	Supporting information outstanding	
CR116	CHP Disabled Adaptations 2015-19	Stage 2 findings issued 28 th Feb 17	

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:

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

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.	57%
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
16-09	Performance Management	22 nd Dec 2016
CR100	Crematorium and Cemetery Office (late project file received)	8 th Aug 2016
CR111	Replacement Housing Management System	1 st March 2017
IT 62	PCI-DSS Review	28 th Feb 2017

APPENDIX 1 – RESTRICTED ASSURANCE AUDITS

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

		Part One
AUDIT COMMITTEE		(D) Agenda Item 9
Date of Meeting:	23rd March, 2017	
Reporting Officer:	Director of Resources	
<p>Title: Internal Audit Annual Plan</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Annual Plan for 2017-2018 has been produced by the Head of Internal Audit. The Head of Internal Audit will present the report to Members.</p> <p>Recommendations:</p> <p>To receive and consider the Internal Audit Annual Plan for 2017-2018.</p>		

Report

The Internal Audit Annual Plan for 2017-2018, including a note of the housing benefit testing, 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 ANNUAL PLAN 2017/18

Audit	Significance Band	Division	Days
Contract Audit	1	All Divisions	30
Contract Management Checklist Stage Reviews	1	All Divisions	70
Risk Management	1	Corporate Support	8
Budgetary Control	1	Finance	9
Income Collection	1	Finance	15
Main Accounting System & Periodic Controls	1	Finance	25
Business Rates (NNDR)	1	Revenues & Benefits	10
Council Tax & Council Tax Support	1	Revenues & Benefits	22
Housing Benefits	1	Revenues & Benefits	18
Procurement (inc. Ordering)	2	All Divisions	20
Car Park Meter Income	2	Community Services	10
Corporate Control/Governance	2	Corporate Support	5
Performance Management	2	Corporate Support	6
Standing Orders/Financial Regulations/Anti-Fraud/Other Policies & Procedures	2	Resources Directorate	8
Accounts Payable	2	Finance	12
Accounts Receivable	2	Finance	12
Treasury Management	2	Finance	6
Payroll (inc Expenses)	2	Finance & HR	15
Housing Maintenance (Day to day repairs)	2	Housing	30
Housing Rents - System Review	2	Housing	15
IT AUDIT			
Email and Internet Controls	1		25
IT General Controls	1		
IT Implementation Review	1		
Audits identified by their significance rating or agreed with Senior Management to ensure adequate coverage of the Council's internal controls.	3, 4 & 5	All Divisions	30
DESIGNATED ANNUAL AUDIT ACTIVITY			
Cash Floats/Receipting Controls	-		10
Community Organisations (inc. Mayor's Account)	-		15
Financial/Account Reviews	-		20
Fraud Hotline	-		10
Funding Checks/Grant Claims	-		6
Implementation Review	-		12
NFI Responsibilities	-		20
Probity	-		25
AUDIT MANAGEMENT			
Audit Administration	-		15
Audit Committee	-		8
Audit Management/Planning/Reporting	-		15
External Audit Liaison	-		3
Plan days			560
Benefit Certification Testing	-		170
TOTAL AUDIT DAYS			730

		Part One
AUDIT COMMITTEE		(D) Agenda Item 10
Date of Meeting:	23rd March, 2017	
Reporting Officer:	Director of Resources	
<p>Title: External Audit Committee Update</p> <p>Summary and Conclusions:</p> <p>An Audit Committee Update regarding current issues and developments has been produced by the External Auditors. The External Auditors will present the report to Members.</p> <p>Recommendations:</p> <p>To receive the External Auditors report and raise any questions.</p>		

Report

The External Auditors have produced an Audit Committee Update for Members, regarding current issues and developments. The report is attached at **Appendix 11** and will be presented to Members by the External Auditors.

Background papers

Nil



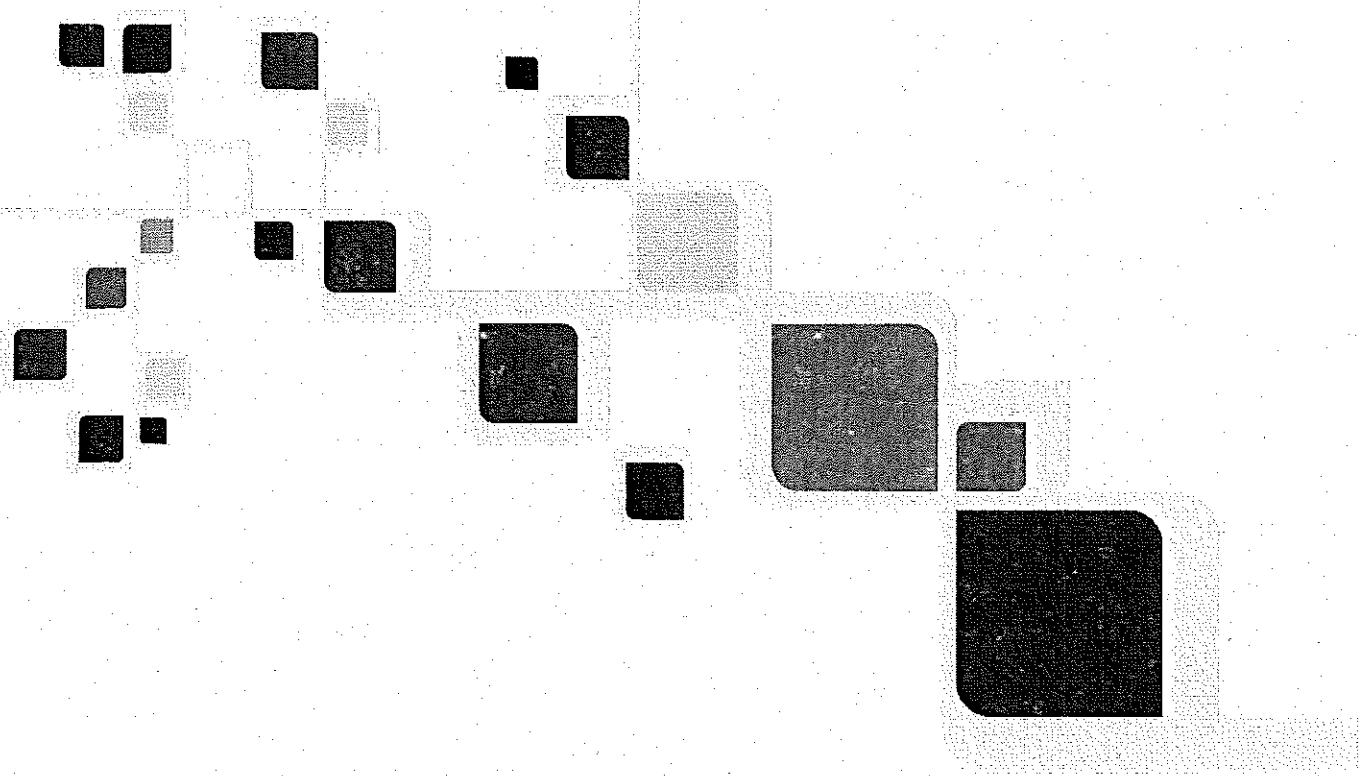
Audit Committee
Barrow Borough Council
Progress Report and Update
Year ending 31 March 2017

23 March 2017

Gareth Kelly
Engagement Lead
T 0141 223 0891
E gareth.kelly@uk.gt.com

Neil Krajewski
Engagement Manager
T 0161 234 6371
E neil.p.krajewski@uk.gt.com

Maeve Morgan
In-Charge Auditor
T 0161 953 6446
E maeve.t.morgan@uk.gt.com



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, not intended for, any other purpose.

Introduction

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

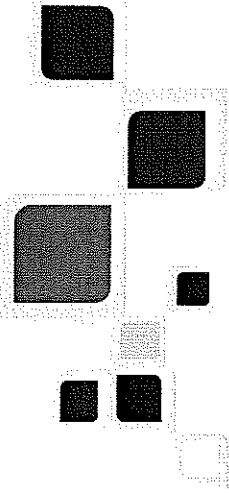
Members of the Audit Committee can find further useful material on our website www.grant-thomton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthomton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthomton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- New laws to prevent fraud may affect the public sector (November 2016); <http://www.grantthomton.co.uk/en/insights/new-laws-to-prevent-fraud-may-affect-the-public-sector/>
- Brexit: local government – transitioning successfully (December 2016) <http://www.grantthomton.co.uk/en/insights/brexit-local-government--transitioning-successfully/>

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

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.

Progress at 10 March 2017



2016/17 work

Planned Date Completed Comments

Fee Letter

We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016

April 2016

Yes

The fee letter was issued in April 2016.

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

Yes

The Audit Plan is a separate item on the agenda for today's meeting.

Interim accounts audit

Our interim fieldwork visit plan included:

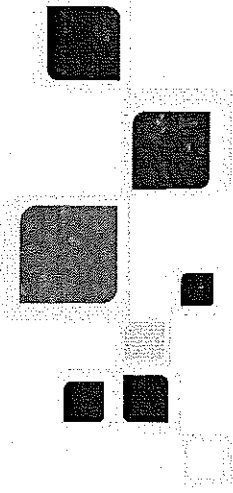
- updated review of the Council's control environment
- updated understanding of financial systems
- review of Internal Audit reports on core financial systems
- early work on emerging accounting issues
- early substantive testing
- Value for Money conclusion risk assessment.

December 2016 –
March 2017

No

We commenced our interim audit in December 2016. As part of an initial visit we updated our documentation relating to the Council's key accounting systems. We also completed walkthrough testing to confirm the expected controls were in place in relation to those systems which are associated with the risks set out in our audit plan. We are currently completing the second phase of our interim work which comprises detailed testing of transactions recognised in the first eleven months of the financial year. As part of this work, we will also review the proposed prior year adjustment in respect of the changes to the presentation of income and expenditure which CIPFA have introduced this year.

Progress at 9 March 2017



2016/17 work

Planned Date Completed Comments

Final accounts audit

Including:

- audit of the 2016/17 financial statements
- proposed opinion on the Council's accounts
- proposed Value for Money conclusion
- review of the Council's disclosures in its financial statements against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

June and July
2017

No

We have agreed with the Director of Resources that we will commence our post statements fieldwork in June 2017 with a view to reporting the outcome of our work to the Audit Committee in July 2017. We plan to issue our audit opinion by 31 July 2017.

Value for Money (VfM) conclusion

The scope of our work is unchanged to 2015/16 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:

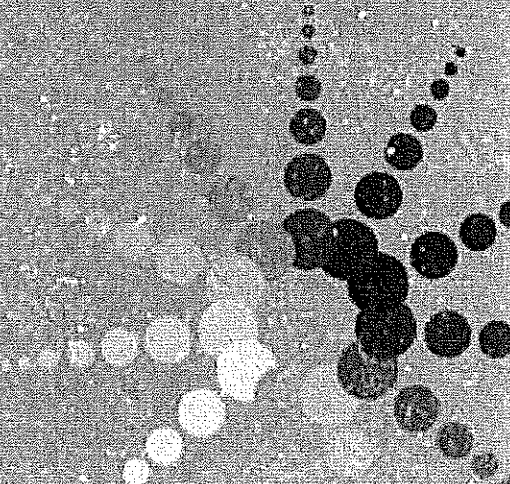
- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

March – June
2017

No

The outcome of our initial risk assessment is reported as part of the Audit Plan which is an item on the agenda for today's meeting. We have commended our detailed work on the risks identified and will report our findings as part of our Audit Findings Report which will be presented to the Audit Committee in July 2017.

Technical Matters



Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year. The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

- reviewing existing governance arrangements against the principles set out in the Framework
- developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
- reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures

Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

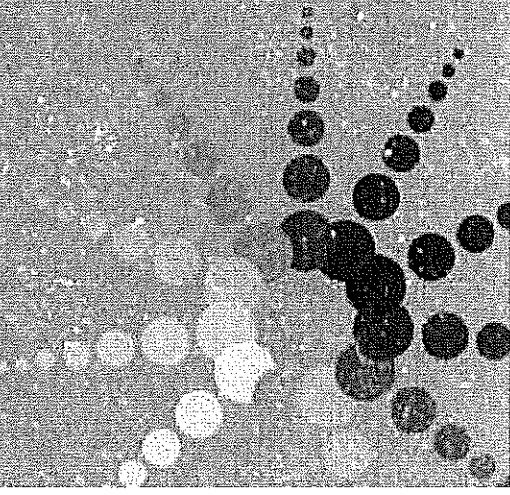
The key changes are:

- the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
- an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
- the changes will remove some of the complexities of the current segmental note
- other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

- changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
- other amendments and clarifications to reflect changes in the accounting standards.

Sector issues and developments



Pooling of LGPS

From 1 April 2018 £200bn of assets from 90 LGPS funds across England and Wales will be merged into six 'British Wealth Funds'. By pooling investment, costs can be reduced through economies of scale and through sharing of expertise, while the schemes can maintain overall investment performance. Pension funds will continue to be managed and maintained by the separate administering authorities. The selection of fund managers will be made by the investment pool operator on behalf of a pool of co-operating administrative authorities, while individual investment strategies, including asset allocation, will remain the responsibility of the individual administrative authority.

Potentially eight pools are to be established across the country with total assets ranging from £13bn in both the LPP and Wales pool, to £36bn in the Border to Coast pool. It is expected that assets will be transferred to the pools as soon as practicable after 1 April 2018.

Tasks to be completed by April 2018 include:

- creating legal structures for pools
- transferring staff
- creating supervisory boards/ committees
- obtaining FCA authorisations
- appointing providers
- assessing MiFID II implications
- determining pool structures for each asset type

The funds themselves will retain responsibility for:

- investment strategy
- asset allocation

National developments

- having a responsible investment strategy
- reporting to employers and members

Governance arrangements

There is no mandatory membership of oversight structures. It is for each pool to develop the proposals they consider appropriate. The majority of decision making remains at the local level and therefore the involvement of local pension boards in those areas would not change. Scheme managers should consider how best to involve their pension boards in ensuring the effective implementation of investment and responsible investment strategies by pools, which could include representation on oversight structures.

CIPFA in the recent article *Clear pools: the future of the*

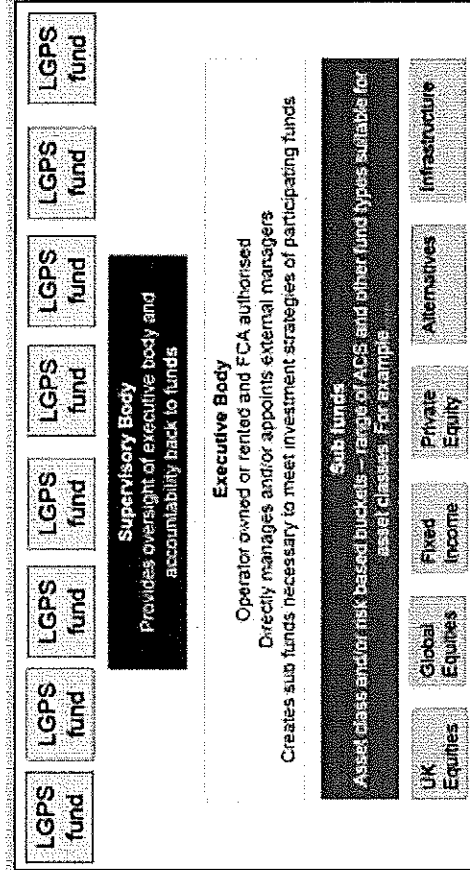
LGPS highlights the need for good governance particularly in view of the complex web of stakeholders involved in investment pooling. Robust governance will be vital to ensuring a smooth transition and continuing operation of the funds

Challenge question:

- Is your CFO keeping you up to date on developing arrangements in your area?

Link:

<http://www.cipfa.org/cipfa-thinks/cipfa-thinks-articles/clear-pools-the-future-of-the-lgps?>



typical structure of LGPS Pool

Fixing our broken housing market

DCLG published its housing White Paper on 7 February 2017. It opens with the statement:

“The housing market in this country is broken, and the cause is very simple: for too long, we haven’t built enough homes.”

It goes on to summarise three key challenges in the housing market.

1. Over 40 per cent of local planning authorities do not have a plan that meets the projected growth in households in their area.
2. The pace of development is too slow. There is a large gap between permissions granted and new homes built. More than a third of new homes that were granted planning permission between 2010/11 and 2015/16 have yet to be built.
3. The structure of the housing market makes it harder to increase supply. Housing associations have been doing well – they’re behind around a third of all new housing completed over the past five years – but the commercial developers still dominate the market.

The proposals in the White Paper set out how the Government intends to boost housing supply and, over the long term, create a more efficient housing market whose outcomes more closely match the needs and aspirations of all households and which supports wider economic prosperity.

It states that the challenge of increasing housing supply cannot be met by the government acting alone and summarises how the government will work with local authorities, private developers, local communities, housing associations and not for profit developers, lenders, and utility companies and infrastructure providers.

© 2017 Grant Thornton UK LLP. All rights reserved.

National developments

Challenge questions:

- Have you been briefed on the White Paper and the implications for your statutory housing function?
- Is the Council planning to respond to the consultation?

Consultation on the White Paper will begin on 7 February 2017. The consultation will run for 12 weeks and will close on 2 May 2017.

The White Paper is available at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/590464/Fixing_our_broken_housing_market_print_ready_version.pdf

- For local authorities, the government is:
- offering higher fees and new capacity funding to develop planning departments, simplified planning, and more funding for infrastructure;
 - will make it easier for local authorities to take action against those who do not build out once permissions have been granted; and
 - is interested in the scope for bespoke housing deals to make the most of local innovation.

The government is looking to local authorities to be as ambitious and innovative as possible to get homes built in their area. It is asking all local authorities to:

- develop an up-to-date plan with their communities that meets their housing requirement (or, if that is not possible, to work with neighbouring authorities to ensure it is met);
- decide applications for development promptly; and
- ensure the homes they have planned for are built out on time.

The White Paper states that it is crucial that local authorities hold up their end of the bargain. It goes on to say that where local authorities are not making sufficient progress on producing or reviewing their plans, the Government will intervene. It also notes that where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken.

The White Paper goes on to consider in more detail:

- Planning for the right homes in the right places
- Building homes faster
- Diversifying the market
- Helping people now

Integrated Thinking and Reporting

CIPFA Publications

Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years.

They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: *Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders*.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

- The public sector faces multiple challenges, including:
- Serving and being accountable to a wide stakeholder base;
 - Providing integrated services with sustainable outcomes;
 - Maintaining a longer-term perspective, whilst delivering in the short term; and
 - Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

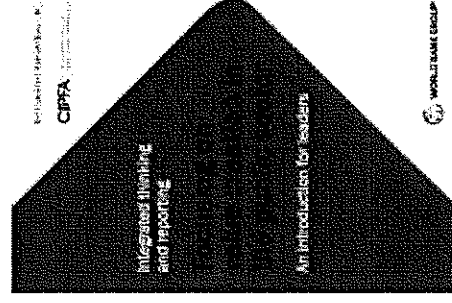
Integrated Reporting can help public sector organisations deal with the above challenges by:

- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation's activities;
- Looking beyond the 'now' to the 'near' and then the 'far';
- Considering the resources used other than just the financial.

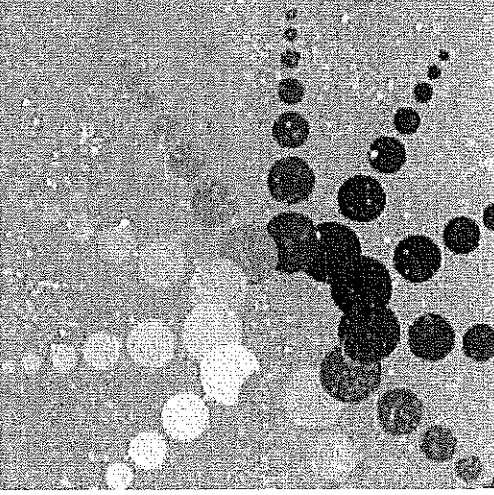
The report includes examples of how organisations have benefited from Integrated Reporting.

Challenge question:

- Have you reviewed the CIPFA guide to Integrated Reporting in the public sector?



Grant Thornton



Apprentice Levy - Are you prepared?

Grant Thornton update

What is the levy?

The UK has been struggling on productivity, now estimated to be 20% behind the G7 average. Developing apprenticeships is set to play a key part in tackling this and bridging the skills gap.

Announced by government in July 2015, the levy is to encourage employers to offer apprenticeships in meeting their skill, workforce and training needs, developing talent internally. The levy is designed to give more control to employers, through direct access to training funds and creation of apprenticeships through the Trailblazer process.

What is the levy?

From April 2017, the way the government funds apprenticeships in England is changing. Some employers will be required to pay a new apprenticeship levy, and there will be changes to the funding for apprenticeship training for all employers.

All employers will receive an allowance of £15,000 to offset against payment of the levy. This effectively means that the levy will only be payable on payroll in excess of £3 million per year.

The levy will be payable through Pay As You Earn (PAYE) and will be payable alongside income tax and National Insurance.

Each employer will receive one allowance to offset against their levy payment. There will be a connected persons rule, similar to the Employment Allowance connected persons rule, so employers who operate multiple payrolls will only be able to claim one allowance.

Employers in England are also able to get 'more out than they put in', through an additional government top-up of 10% to their levy contribution.

When employers want to spend above their total levy amount, government will fund 90% of the cost for training and assessment within the funding bands.

The existing funding model will continue until the levy comes into effect May 2017. The levy will apply to employers across all sectors. Payroll will be calculated based on total employee earnings subject to Class 1 National Insurance Contributions. It will not include other payments such as benefits in kind. It will apply to total employee earnings in respect of all employees.

What will the levy mean in practice

Employer of 250 employees, each with a gross salary of £20,000:

Payroll: $250 \times £20,000 = £5,000,000$

Levy sum: $0.5\% \times = £25,000$

Allowance: $£25,000 - £15,000 = £10,000$ annual levy

How can I spend my levy funds?

The funding can only be used to fund training and assessment under approved apprenticeship schemes. It cannot be used on other costs associated with apprentices, including wages and remuneration, or training spend for the wider team.

Through the Digital Apprenticeship Service (DAS), set up by government, employers will have access to their funding in the form of digital vouchers to spend on training.

Training can be designed to suit the needs of your organisation and the requirements of the individual in that role, in addition to specified training for that apprenticeship. Training providers must all be registered with the Skills Funding Agency (SFA).

What do I need to start thinking about now?

- How much is the levy going to cost and have we budgeted for it?
- How do we ensure compliance with the new system?
- Which parts of my current spend on training are applicable to apprenticeships?
- Are there opportunities to mitigate additional cost presented by the levy?
- How is training in my organisation structured?
- How do we develop and align to our workforce development strategy

Off-payroll working and salary sacrifice in the public sector

Grant Thornton update

Off-payroll working

The Chancellor's Autumn Statement 2016 speech delivered a number of changes that will impact the UK business environment and raise considerations for you as an employer.

In particular, the Chancellor announced that the measures that were proposed in Budget 2016 that could affect services supplied through personal service companies (PSCs) to the public sector will be implemented.

At present, the so-called IR35 rules require the worker to decide whether PAYE and NIC are due on the payments made by a PSC following an engagement with a public sector body. The onus will be moved to the payer from April 2017. This might be the public sector body itself, but is more likely to be an intermediary, or, if there is a supply chain, to the party closest to the PSC.

The public sector body (or the party closest to the PSC) will need to account for the tax and NIC and include details in their RII submission.

The existing IR35 rules will continue outside of public sector engagements.

HMRC Digital Tool – will aid with determining whether or not the intermediary rules apply to ensure of “consistency, certainty and simplicity”.

When the proposals were originally made, the public sector was defined as “those bodies that are subject to the Freedom of Information rules”. It is not known at present whether this will be the final definition. Establishing what bodies are caught is likely to be difficult however the public sector is defined.

A further change will be that the 5% tax free allowance that is given to PSCs will be removed for those providing services to the public sector.

This will increase costs, move responsibility to the engager and increase risks for the engager

Salary sacrifice

The Chancellor's Autumn Statement 2016 speech also introduced changes to salary sacrifice arrangements. In particular, the proposals from earlier this year to limit the tax and NIC advantages from salary sacrifice arrangements in conjunction with benefits will be implemented from April 2017.

Although we await the details, it appears that there is a partial concession to calls made by Grant Thornton UK and others to exempt the provision of cars from the new rules (to protect the car industry). Therefore, the changes will apply to all benefits other than pensions (including advice), childcare, Cycle to Work schemes and ultra-low emission cars.

Arrangements in place before April 2017 for cars, accommodation and school fees will be protected until April 2021, with others being protected until April 2018.

These changes will be implemented from April 2017.

As you can see, there is a limited opportunity to continue with salary sacrifice arrangements and a need also to consider the choice between keeping such arrangements in place – which may still be beneficial – or withdrawing from them.

Issues to consider

- Interim and temporary staff engaged through an intermediary or PSC
- Where using agencies ensure they're UK based and operating PAYE
- Update on-boarding / procurement systems, processes and controls
- Additional take on checks and staff training / communications
- Review of existing PSC contractor population before April 2017
- Consider moving long term engagements onto payroll
- Review the benefits you offer – particularly if you have a flex renewal coming up
- Consider your overall Reward and Benefit strategy
- Consider your Employee communications

Brexit

Planning can help organisations reduce the impact of Brexit

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

2017 elections in The Netherlands (March), France (April/May), and Germany (October/November) will complicate the Brexit negotiation process and timeline at a time when Brexit is more important for the UK than it is for the remaining 27 Member States.

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

Taking back control is a priority

It appears that the top priority for government is ‘taking back control’, specifically of the UK’s borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

The UK wants a ‘bespoke deal’. Given the rhetoric coming from Europe, our view is that this would signal an end to the UK’s membership of the Single Market.

With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called ‘Hard Brexit’. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.

This is of course, all subject to change, and, politics, especially at the moment, moves quickly.

Where does this leave the public sector?

The Chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

Grant Thornton update

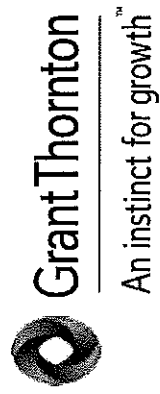
For regular updates on Brexit, please see our website.

Staffing – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

Financial viability – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

Market volatility – for example pension fund and charitable funds investments and future treasury management considerations.

International collaboration – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.



© 2017 Grant Thornton UK LLP. All rights reserved | Draft

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

grantthornton.co.uk

		Part One
AUDIT COMMITTEE		(D) Agenda Item 11
Date of Meeting:	23rd March, 2017	
Reporting Officer:	Director of Resources	
<p>Title: External Audit Annual Plan</p> <p>Summary and Conclusions:</p> <p>This report includes the External Audit Plan for the year ended 31st March, 2017. The External Auditors will present the Plan to Members.</p> <p>Recommendations:</p> <p>To receive and consider the External Audit Plan for the year ended 31st March, 2017.</p>		

Report

The External Audit Plan for the year ended 31st March, 2017 is attached at **Appendix 12** and will be presented to Members by the External Auditors.

Background Papers

Nil



The Audit Plan for Barrow Borough Council

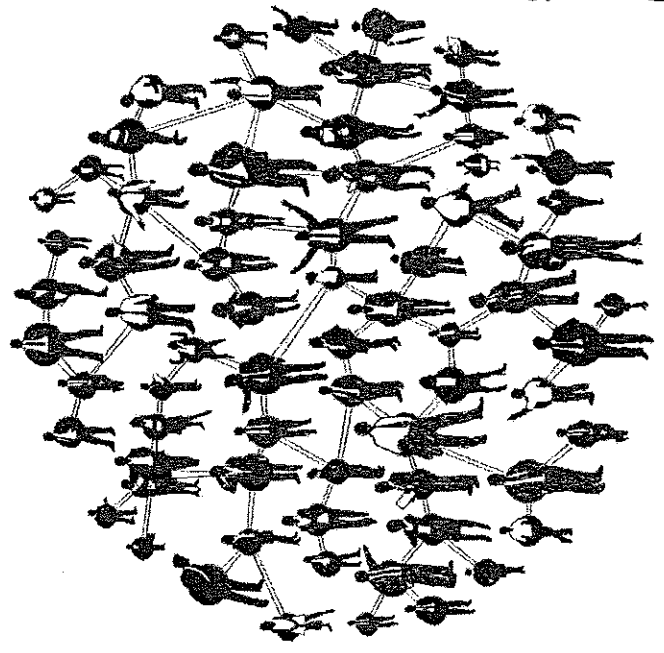
Year ended 31 March 2017

March 2017

Gareth Kelly
Engagement Lead
T 0141 223 0891
E gareth.kelly@ukgt.com

Neil Krajewski
Engagement Manager
T 0161 234 6371
E neil.p.krajewski@ukgt.com

Maeve Morgan
In-Charge Auditor
T 0161 953 6446
E maeve.t.morgan@ukgt.com





Barrow Borough Council
Town Hall,
Duke Street,
Barrow-In-Furness, Cumbria, LA14 2LD
March 2017

Grant Thornton UK LLP
Manchester
T +44 (0) 161 953 6900
www.grant-thornton.co.uk

Dear Members of the Audit Committee

Audit Plan for Barrow Borough Council for the year ending 31 March 2017

This Audit Plan sets out for the benefit of those charged with governance, which in the case of Barrow Borough Council is the Audit Committee, an overview of the planned scope and timing of the audit, as required by International Standard on Auditing (UK & Ireland) 260. This document is to help you understand the consequences of our work, discuss issues of risk and the concept of materiality with us, and identify any areas where you may request us to undertake additional procedures. It also helps us gain a better understanding of the Council and your environment. The contents of the Plan have been discussed with management.

We are required to perform our audit in line with Local Audit and Accountability Act 2014 and in accordance with the Code of Practice issued by the National Audit Office (NAO) on behalf of the Comptroller and Auditor General in April 2015. Our responsibilities under the Code are to:

- give an opinion on the Council's financial statements; and
- satisfy ourselves the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

As auditors we are responsible for performing the audit, in accordance with International Standards on Auditing (UK & Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements which give a true and fair view.

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 planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change. In particular, we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit. 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.

We look forward to working with you during the course of the audit.

Yours sincerely

Gareth Kelly
Engagement Lead

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales No.00207740. Registered office: Grant Thornton House, Melb Street, Easton Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.
Grant Thornton UK LLP is a member firm of Grant Thornton in International Ltd (GTI). GTI and the member firms are not worldwide partnerships. Services are delivered by the member firms. GTI and its member firms are not regulated, and do not regulate, one another and are not liable to one another under or outside. Please see grant-thornton.co.uk for further details.

Contents

Section	
Understanding your business and key developments	4
Materiality	5
Significant risks identified	6-8
Other risks identified	9-11
Value for Money	12-14
Other audit responsibilities	15
Results of interim audit work	16-17
The audit cycle	18
Audit fees	19
Independence and non-audit services	20
Communication of audit matters with those charged with governance	21

Understanding your business and key developments

Key challenges

Autumn Statement

The Chancellor detailed plans in the Autumn Statement to increase funding for Housing and Infrastructure, and further extend devolved powers to Local Authorities. No plans were announced to increase funding for other services. The Council's budget strategy assumes that the Council's funding from central government will continue to fall. Recently-announced changes to the New Homes Bonus scheme have further added to the pressure which is being felt by many local authorities.

Financial Challenges

The Council's net revenue budget for 2016/17 is £11.02M which was a reduction of £0.38M on the 2015/16 budget. Current year end forecasts at the end of month 9 indicate that the Council is on track to deliver within its budget.

Key performance indicators

Measure	Value	Trend
Outturn	£11.02M	£276k underspend

Financial reporting changes

CIPFA Code of Practice 2016/17 (the Code)

Changes to the Code in 2016/17 reflect aims of the 'Telling the Story' project, to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements.

The changes affect the presentation of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statements, segmental reporting disclosures and a new Expenditure and Funding Analysis note has been introduced. The Code also requires these amendments to be reflected in the 2015/16 comparatives by way of a prior period adjustment.

The Council's finance team is already incorporating these changes into the close-down timetable.

Earlier close-down

The Accounts and Audit Regulations 2015 require councils to bring forward the approval and audit of financial statements to 31 July by the 2017/2018 financial year.

The Council's finance team has previously produced financial statements promptly after the year end and is planning to provide 2016/17 financial statements by 31 May 2017.

We intend to complete the audit of the financial statements by 31 July in preparation for the 2017/18 timetable.

Our response

- We aim to complete all our substantive audit work of your financial statements by 17 July 2017.
- As part of our opinion on your financial statements, we will consider whether your financial statements accurately reflect the financial reporting changes in the 2016/17 Code.
- We will keep you informed of changes to the financial reporting requirements for 2016/17 through on-going discussions and invitations to our technical update workshops.

Materiality

In performing our audit, we apply the concept of materiality, following the requirements of International Standard on Auditing (UK & Ireland) (ISA) 320: Materiality in planning and performing an audit. The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. An item does not necessarily have to be large to be considered to have a material effect on the financial statements. An item may be considered to be material by nature, for example, when greater precision is required (e.g. senior manager salaries and allowances).

We determine planning materiality (materiality for the financial statements as a whole determined at the planning stage of the audit) in order to estimate the tolerable level of misstatement in the financial statements, assist in establishing the scope of our audit engagement and audit tests, calculate sample sizes and assist in evaluating the effect of known and likely misstatements in the financial statements.

We have determined planning materiality based upon professional judgement in the context of our knowledge of the Council. In line with previous years, we have calculated financial statements materiality based on a proportion of the gross revenue expenditure of the Council. For purposes of planning the audit we have determined overall materiality to be £1.038M (being 2% of gross revenue expenditure). In the previous year, we determined materiality to be £0.973M (being 2% of gross revenue expenditure). Our assessment of materiality is kept under review throughout the audit process and we will advise you if we revise this during the audit.

Under ISA 450, auditors also set an amount below which misstatements would be clearly trivial and would not need to be accumulated or reported to those charged with governance because we would not expect that the accumulation of such amounts would have a material effect on the financial statements. "Trivial" matters are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. We have defined the amount below which misstatements would be clearly trivial to be £52,000.

ISA 320 also requires auditors to determine separate, lower, materiality levels where there are 'particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users'. We have identified the following items where separate materiality levels are appropriate:

Balance/transaction/disclosure	Explanation	Materiality level
Related party transactions	The Council conducts its business using public funds. The Related Party disclosures ensure that the Council discloses in full any transactions that have occurred with related parties. This ensures that the Council is open about who it does business with and counters any allegations or suspicion of nepotism on the part of management or TCWG.	£20,000 (individual misstatements will also be evaluated with reference to how material they are to the other party)
Disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements	Due to public interest in these disclosures and the statutory requirement for them to be made.	£20,000

Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement; or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK and Ireland) 320)

Significant risks identified

An audit is focused on risks. Significant risks are defined by ISAs (UK and Ireland) as risks that, in the judgment of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

Significant risk	Description	Audit procedures
The revenue cycle includes fraudulent transactions	Under ISA (UK and Ireland) 240 there is a presumed risk that revenue streams may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Barrow Borough Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because: <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including Barrow Borough Council, mean that all forms of fraud are seen as unacceptable.
Management over-ride of controls	Under ISA (UK and Ireland) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	Work planned: Review of accounting estimates, judgments and decisions made by management Review of journal entry process and selection of unusual journal entries for testing back to supporting documentation Review of unusual significant transactions

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, due to either size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty." (ISA (UK and Ireland) 315). In making the review of unusual significant transactions "the auditor shall treat identified significant related party transactions outside the entity's normal course of business as giving rise to significant risks." (ISA (UK and Ireland) 550)

Significant risks identified (continued)

We have also identified the following significant risks of material misstatement from our understanding of the entity. We set out below the work we have completed to date and the work we plan to address these risks.

Significant risk	Description	Audit procedures
The expenditure cycle includes fraudulent transactions	Practice Note 10 suggests that in public sector bodies the risk of material misstatement in the accounts arising from the manipulation of expenditure recognition, needs to be considered.	<p>Having considered the factors set out in Practice Note 10 and the nature of the expenditure streams at Barrow Borough Council, we have determined that the risk of fraud arising from fraudulent expenditure recognition is not applicable because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate expenditure • controls in place limit opportunities to manipulate expenditure; and • the culture and ethical frameworks of local authorities, including Barrow Borough Council, mean that all forms of fraud are seen as unacceptable.
Valuation of property, plant and equipment	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 the current value. This represents a significant estimate by management in the financial statements.	<p>Work completed to date:</p> <ul style="list-style-type: none"> • Review of management's processes and assumptions for the calculation of the estimate. • Review of the competence, expertise and objectivity of any management experts used. • Review of the instructions issued to valuation experts and the scope of their work. <p>Further work planned:</p> <ul style="list-style-type: none"> • Discussions with the valuer about the basis on which the valuation is carried out and challenge of the key assumptions. • Review and challenge of the information used by the valuer to ensure it is robust and consistent with our understanding. • Evaluation of the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value. • Testing of a judgemental sample of revaluations made during the year to ensure they are input correctly into the Council's asset register.

Significant risks identified (continued)

Significant risk	Description	Audit procedures
Valuation of pension fund net liability	The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.	<p>Work planned:</p> <ul style="list-style-type: none"> • We will identify the controls put in place by management to ensure that the pension fund liability is not materially misstated. We will also assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement. • We will review the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We will gain an understanding of the basis on which the valuation is carried out. • We will undertake procedures to confirm the reasonableness of the actuarial assumptions made. • We will review the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report from your actuary.

Other risks identified

Reasonably possible risks (RPRs) are, in the auditor's judgment, other risk areas which the auditor has identified as an area where the likelihood of material misstatement cannot be reduced to remote, without the need for gaining an understanding of the associated control environment, along with the performance of an appropriate level of substantive work. The risk of misstatement for an RPR or other risk is lower than that for a significant risk, and they are not considered to be areas that are highly judgmental, or unusual in relation to the day to day activities of the business.

Other risks	Description of risk	Audit procedures
Operating expenses	Year end creditors and accruals are understated or not recorded in the correct period.	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have reviewed the systems and controls that the Council has in place to pay and record expenditure incurred. We have walked-through controls relevant to the risk identified. From this work we have not identified any control weaknesses or errors. <p>Work planned:</p> <ul style="list-style-type: none"> We will substantively testing of a sample of year end creditors and accruals. We will complete testing of payments post year-end and a sample of creditors and accruals to ensure "cut-off" is correct (ie. that they are recorded in the right period).
Employee remuneration	Employee remuneration expenses and accruals are understated	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have reviewed the systems and controls that the Council has in place to ensure that its employees are paid the correct amount based on hours worked and their contractual entitlement, including arrangements to accrue for amounts outstanding but not yet paid at the year-end. This has included consideration of the Council's contract with Selima, its outsourced payroll provider. We have walked-through the controls the Council has in place in relation to this risk. <p>Work planned:</p> <ul style="list-style-type: none"> We will complete substantive testing of significant year end payroll accruals. We will perform analytical procedures to identify any discrepancies in monthly payrolls and consideration as to whether payroll expenditure is in line with our expectations based on supporting evidence. We will test the reconciliation between the payroll system and the amounts recorded in the general ledger and financial statements.

"In respect of some risks, the auditor may judge that it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them." (ISA (UK and Ireland) 315)

Other risks identified (continued)

Other risks	Description of risk	Audit procedures
Welfare benefits expenditure	Welfare benefit expenditure improperly computed	<p>Work completed to date:</p> <ul style="list-style-type: none"> We have reviewed the systems and controls that the Council has in place to pay and record welfare benefit expenditure incurred. We have walked-through controls relevant to the risk identified. <p>Work planned:</p> <ul style="list-style-type: none"> We will test a sample of payments to housing benefit claimants to confirm the amount due has been calculated accurately and in accordance with relevant regulations. We will test the reconciliation between the benefits system and the amounts recorded in the financial statements.
Changes to the presentation of local authority financial statements	<p>CIPFA has been working on the 'Telling the Story' project, for which the aim was to streamline the financial statements and improve accessibility to the user and this has resulted in changes to the 2016/17 Code of Practice.</p> <p>The changes affect the presentation of income and expenditure in the financial statements and associated disclosure notes. A prior period adjustment (PPA) to restate the 2015/16 comparative figures is also required.</p>	<p>Work planned:</p> <ul style="list-style-type: none"> We will document and evaluate the process for recording the required financial reporting changes to the 2016/17 financial statements. We will review the re-classification of the Comprehensive Income and Expenditure Statement (CIES) comparatives to ensure that they are in line with the Council's internal reporting structure. We will review the appropriateness of the revised grouping of entries within the Movement In Reserves Statement (MIRS). We will test the classification of income and expenditure for 2016/17 recorded within the Cost of Services section of the CIES. We will test the completeness of income and expenditure by reviewing the reconciliation of the CIES to the general ledger. We will test the classification of income and expenditure reported within the new Expenditure and Funding Analysis (EFA) note to the financial statements. We will review the new segmental reporting disclosures within the 2016/17 financial statements to ensure compliance with the CIPFA Code of Practice.

Other risks identified (continued)

Going concern

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK and Ireland) 570). We will review the management’s assessment of the going concern assumption and the disclosures in the financial statements.

Other material balances and transactions

Under International Standards on Auditing, “irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure”. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in the previous sections but will include:

- Cash and cash equivalents
- Investments (long term and short term)
- Trade and other receivables
- Borrowings and other liabilities (long and short term)
- Provisions
- Useable and unusable reserves
- Movement in Reserves Statement and associated notes
- Statement of cash flows and associated notes
- Financing and investment income and expenditure
- Taxation and non-specific grants
- Officers’ remuneration note
- Leases note
- Related party transactions note
- Capital expenditure and capital financing note
- Financial instruments note
- Housing Revenue Account and associated notes
- Collection Fund and associated notes

Value for Money

Background

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

The National Audit Office (NAO) issued its guidance for auditors on value for money work for 2016/17 in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has proper arrangements in place.

The guidance identifies one single criterion for auditors to evaluate:

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

This is supported by three sub-criteria as set out opposite:

Sub-criteria	Detail
Informed decision making	<ul style="list-style-type: none"> Acting in the public interest, through demonstrating and applying the principles and values of sound governance Understanding and using appropriate cost and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management Reliable and timely financial reporting that supports the delivery of strategic priorities Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	<ul style="list-style-type: none"> Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions Managing and utilising assets effectively to support the delivery of strategic priorities Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	<ul style="list-style-type: none"> Working with third parties effectively to deliver strategic priorities Commissioning services effectively to support the delivery of strategic priorities Procuring supplies and services effectively to support the delivery of strategic priorities.

Value for Money (continued)

Risk assessment

We have carried out an initial risk assessment based on the NAO's auditor's guidance note (AGN03). In our initial risk assessment, we considered:

- our cumulative knowledge of the Council, including work performed in previous years in respect of the VfM conclusion and the opinion on the financial statements.
- any illustrative significant risks identified as communicated by the NAO in its Supporting Information.
- any other evidence which we consider necessary to conclude on your arrangements.

We have identified two significant risks which we are required to communicate to you. These are set out overleaf.

Value for money (continued)

We set out below the significant risks we have identified as a result of our initial risk assessment and the work we propose to address these risks.

Significant risk	Link to sub-criteria	Work proposed to address
<p>Budget Strategy In our 2015-16 Audit Findings Report we noted that the Council had developed a budget strategy in September 2016 and that significant detailed work would need to be undertaken by officers and members to realise the savings associated with the re-provision of the leisure and the revenues and benefit service.</p>	<p>This links to the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and using appropriate cost and performance information to support informed decision making.</p>	<p>We will assess the Council's arrangements with those officers responsible for developing and implementing the detailed plans required to deliver the necessary savings. We will assess whether sufficient progress is being made with the plans to realise the strategy.</p>
<p>Provision of Council-owned housing Recent changes in government policy has negatively impacted on the 30-year business plans local authorities were required to produce when they took on additional housing debt as part of the re-financing of Council housing in 2011/12. These changes pose a risk to the sustainable provision of Council-owned housing if they are not addressed.</p>	<p>This links to the Council's arrangements for managing risks effectively and planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions.</p>	<p>We will review scenario planning arrangements to assess whether sufficient progress has been made to understand the financial position of the housing function, including a review of whether strategies developed to reduce costs are likely to be effective.</p>

Reporting

The results of our VfM audit work and the key messages arising will be reported in our Audit Findings Report and in the Annual Audit Letter.

We will include our conclusion in our auditor's report on your financial statements which we will give by 30th September 2017.

Other audit responsibilities

In addition to our responsibilities under the Code of Practice in relation to your financial statements and arrangements for economy, efficiency and effectiveness we have a number of other audit responsibilities, as follows

- We will undertake work to satisfy ourselves that the disclosures made in your Annual Governance Statement are in line with CIPFA/SOLACE guidance and consistent with our knowledge of the Council.
- We will read your Narrative Statement and check that it is consistent with the financial statements on which we give an opinion and that the disclosures included in it are in line with the requirements of the CIPFA Code of Practice
- We will carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO instructions to auditors.
- We consider our other duties under the Act and the Code, as and when required, including:
 - We will give electors the opportunity to raise questions about your financial statements and consider and decide upon any objections received in relation to the financial statements;
 - issue of a report in the public interest; and
 - making a written recommendation to the Council, copied to the Secretary of State
- We certify completion of our audit.

Results of interim audit work

The findings of our interim audit work, and the impact of our findings on the accounts audit approach, are summarised in the table below:

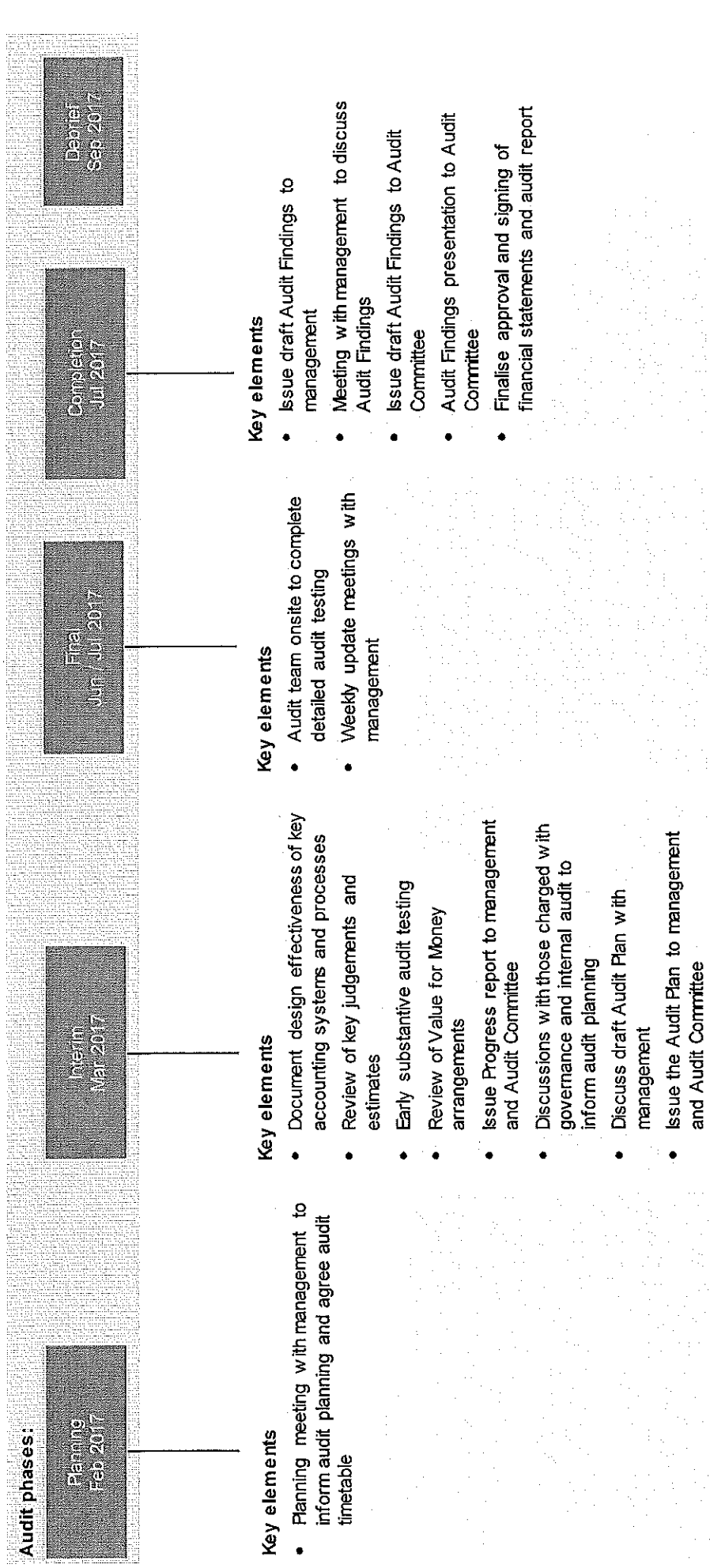
	Work performed	Conclusion
Internal audit	<p>We have completed a high level review of Internal Audit's overall arrangements. Our work has not identified any issues which we wish to bring to your attention.</p> <p>We have also reviewed Internal Audit's work on the Council's key financial systems to date. We have not identified any significant weaknesses impacting on our responsibilities.</p>	<p>Overall, we have concluded that the internal audit service provides an independent and satisfactory service to the Council and that Internal Audit work contributes to an effective internal control environment. Our review of Internal Audit work has not identified any weaknesses which impact on our audit approach.</p>
Entity level controls	<p>We have obtained an understanding of the overall control environment relevant to the preparation of the financial statements including:</p> <ul style="list-style-type: none"> • Communication and enforcement of integrity and ethical values; • Commitment to competence; • Participation by those charged with governance; • Management's philosophy and operating style; • Organisational structure; • Assignment of authority and responsibility; and • Human resource policies and practices. 	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements</p>
Review of information technology controls	<p>Our information systems specialists performed a high level review of the general IT control environment, as part of the overall review of the internal controls system.</p>	<p>We are awaiting the finalisation of the report on IT controls. The results of this review will be communicated as part of our Audit Findings Report.</p>

Results of interim audit work (continued)

	Work performed	Conclusion
Walkthrough testing	<p>We have completed walkthrough tests of the Council's controls operating in areas where we consider that there is a risk of material misstatement to the financial statements.</p> <p>Our work has not identified any issues which we wish to bring to your attention. Internal controls have been implemented by the Council in accordance with our documented understanding.</p>	<p>Our work has not identified any weaknesses which impact on our audit approach.</p>
Journal entry controls	<p>We have reviewed the Council's journal entry policies and procedures as part of determining our journal entry testing strategy and have not identified any material weaknesses which are likely to adversely impact on the Council's control environment or financial statements.</p>	<p>Our work has identified no material weaknesses which are likely to adversely impact on the Council's financial statements.</p>
Early substantive testing	<p>We have undertaken early substantive testing of a sample of payroll costs and expenditure transactions selected from all transactions from month 1-9.</p> <p>Our work has not highlighted any issues which we wish to bring to your attention.</p>	<p>Our work has identified no issues in relation to the existence and occurrence of pay and non-pay expenditure. We will undertake further testing on the remaining 3 months of transactions during our final accounts audit.</p>

The audit cycle

The audit timeline



Audit Fees

Fees

	£
Council audit	51,119
Grant Certification	13,733
Total audit fees (excluding VAT)	64,852

Our fee assumptions include:

- Supporting schedules to all figures in the accounts are supplied by the agreed dates and in accordance with the agreed upon information request list
- The scope of the audit, and the Council and its activities, have not changed significantly
- The Council will make available management and accounting staff to help us locate information and to provide explanations
- The accounts presented for audit are materially accurate, supporting working papers and evidence agree to the accounts, and all audit queries are resolved promptly.

Grant certification

- Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of Public Sector Audit Appointments Limited.
- Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'.

Fees for other services

Fees for other services detailed on the following page, reflect those agreed at the time of issuing our Audit Plan. Any changes will be reported in our Audit Findings Report and Annual Audit Letter.

What is included within our fees

- A reliable and risk-focused audit appropriate for your business
- Feed back on your systems and processes, and identifying potential risks, opportunities and savings
- Invitations to events hosted by Grant Thornton in your sector, as well as the wider finance community
- Ad-hoc telephone calls and queries
- Technical briefings and updates
- Internal benchmarking of key controls including IT systems
- A review of accounting policies for appropriateness and consistency
- Regular Audit Committee Progress Reports

Independence and non-audit services

Ethical Standards and ISA (UK and Ireland) 260 require us to give you timely disclosure of matters relating to our independence

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Auditing Practices Board's Ethical Standards and we confirm that we are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Auditing Practices Board's Ethical Standards.

For the purposes of our audit we have made enquiries of all Grant Thornton UK.LLP teams providing services to Barrow Borough Council. No other audit related and non-audit services were identified for the Council for 2016/17.

Communication of audit matters with those charged with governance

International Standard on Auditing (UK and Ireland) (ISA) 260, as well as other ISAs (UK and Ireland) prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

This document, The Audit Plan, outlines our audit strategy and plan to deliver the audit, while The Audit Findings will be issued prior to approval of the financial statements and will present key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via a report to the Council.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK and Ireland), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

This plan has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by Public Sector Audit Appointments Limited (<http://www.psaal.co.uk/appointing-auditors/terms-of-appointment/>)

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England at the time of our appointment. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice ('the Code') issued by the NAO and includes nationally prescribed and locally determined work (<https://www.nao.org.uk/code-audit-practice/about-code/>). Our work considers the Council's key risks when reaching our conclusions under the Code.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	✓	
Overview of the planned scope and timing of the audit. Form, timing and expected general content of communications	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A statement that we have complied with relevant ethical requirements regarding independence, relationships and other matters which might be thought to bear on independence.	✓	✓
Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged.		
Details of safeguards applied to threats to independence		
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Non compliance with laws and regulations		✓
Expected modifications to the auditor's report, or emphasis of matter		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern	✓	✓



© 2016 Grant Thornton UK LLP. All rights reserved.
'Grant Thornton' means Grant Thornton UK LLP, a limited liability partnership.

Grant Thornton is a member firm of Grant Thornton International Ltd (Grant Thornton International). References to 'Grant Thornton' are to the brand under which the Grant Thornton member firms operate and refer to one or more member firms, as the context requires.

Grant Thornton International and the member firms are not a worldwide partnership. Services are delivered independently by member firms, which are not responsible for the services or activities of one another. Grant Thornton International does not provide services to clients.

grant-thornton.co.uk

AUDIT COMMITTEE	(D) Agenda Item 12
Date of Meeting: 23rd March, 2017	
Reporting Officer: Director of Resources	
<p>Title: Audit Committee Update</p> <p>Summary and Conclusions:</p> <p>This report contains an update on finance and governance related issues.</p> <p>Recommendations:</p> <p>To receive the report and raise any questions.</p>	

Report

Protecting the Public Purse

The second Protecting the English Public Purse (PEPP 2016) report by The European Institute for Combatting Corruption and Fraud (TEICCAF) has published in January 2017.

For England the total value of fraud types for 2015/16 were**:

Fraud Type	No. of Cases Investigated			Value of investigation		
	2014/15	2015/16	% Var	2014/15	2015/16	% Var
Housing Benefit	27,300	13,830	-49.34	£ 109,707,000.00	£ 52,500,000.00	-52.15
Tenancy	2,993	2,787	-6.89	£ 53,874,000.00	£ 50,200,000.00	-7.32
Right to Buy	411	2,253	448.26	£ 30,200,000.00	£ 46,400,000.00	34.91
Council Tax	48,000	79,283	65.17	£ 18,600,000.00	£ 31,400,000.00	68.82
Business Rates	171	233	36.45	£ 1,100,000.00	£ 2,700,000.00	145.45
Procurement	86	167	93.80	£ 2,300,000.00	£ 3,850,000.00	67.39
Insurance	473	787	66.31	£ 9,200,000.00	£ 7,500,000.00	-18.48
NRPF	444	183	-58.71	£ 7,100,000.00	£ 5,700,000.00	-19.72
Other		2,407			£ 11,800,000.00	
Councillor/Employee		367			£ 330,000.00	

** Variable figures used and RTB and Tenancy split in this table.

** Fraud stats are calculated based on the 60% sample we achieved.

** RTB is calculated on the figure provided by the LA, NOT the Notional Figure.

The Borough Council's cases included in the table were 7, all housing benefit (prior to the Single Fraud Investigation Service) with a value of £57k.

TEICCAF have developed a checklist and have recommended that all authorities undertake it as a self-assessment:

Description	Tick as appropriate
Every local authority undertakes an assessment of its financial irregularity, fraud & corruption risk	✓ Anti-Fraud Policies Risk Register
This assessment is reported to its senior management board and members. The assessment must be included in the authorities risk management process and the responsibility of the appropriate portfolio holder.	✓ Anti-Fraud Policies Risk Register
An annual response plan is created to mitigate the identified risk and should include; Prevention Detection Redress	✓ Anti-Fraud Policies
Ensure that proportionate resources are in place to meet the requirements of the response plan.	✓ Internal Audit Plan
Professionally trained, accredited investigators will require appropriate knowledge/training in all areas of identified risk throughout the authority.	✓ Skills required are in place.
Compile a programme of both proactive and reactive work in line with the identified risk.	✓ Internal Audit Plan Annual financial reviews and spot checks
Ensure you have appropriate and proportionate defences against new and emerging risk.	✓ Anti-Fraud Policies NAFN & NFI
A Counter Fraud and Corruption policy is required and reviewed annually. This must be communicated to the whole authority.	✓ Anti-Fraud Policies
Fraud awareness sessions for all staff delivered, at least annually.	✓ Service specific Policies communicated
The Investigations team keeps adequate records and frequently reports to senior management on its work and findings.	✓
Any identified areas of weakness must be highlighted and reported to each department.	✓

The Council's Anti-Fraud Policies are kept under continuous review for regulatory changes, best practice and any improvements coming from actual incidents and their resolution.

External Audit Contract

Following the Full Council decision on 17th January, 2017, Public Sector Audit Appointments Ltd has confirmed that the Council is an opted-in authority for the purposes of the appointment of a local auditor under the provisions of the Local Audit and Accountability Act 2014 and the requirements of the Local Audit (Appointing Person) Regulations 2015. The opt-in covers a period of five years from the 1st April, 2018.

Housing Benefit Certification

From the 1st April 2018, Public Sector Audit Appointments (PSAA Ltd) will no longer oversee or appoint auditors for Housing Benefit Certification work. From then on, the DWP will assume responsibility for issuing guidance and providing support for this assurance process - however, the DWP will not appoint auditors on behalf of local authorities.

Local authorities will need to procure the services from an ICAEW (Institute of Chartered Accountants) accredited accounting firm (the same firms that are currently involved) for this work. The deadline for this appointment will be the 1st March, 2018, for the 2018-2019 subsidy year. Opting into the Sector-Led Body arrangement with PSAA Ltd for the appointment of auditors for final accounts, does not include the assurance of Housing Benefit Certification work, this must be procured separately.

Following consultation with key stakeholders, including a number of Local Authority representatives, the DWP will publish the full Housing Benefit Certification assurance guidance including engagement instructions and detailed testing instructions on gov.uk by the 31st March, 2017.

The quantum of work will remain unchanged, current procedures for testing will remain the same with the initial samples of 20 cases and additional 40+ testing where required and so on.

Once the guidance and instructions are available I will progress this matter. I will also liaise with my colleagues through the Cumbria Chief Finance Officers Group.

Audit of 2015-2016

The Audit Findings Report relating to 2015-2016 identified a number of actions for management which were accepted and an implementation date and responsibility were agreed.

The current position is set out in the table on the following pages.

Rec No.	Recommendation	Priority	Priority Management response	Implementation date & responsibility
1a	Remove access to the 'process tab' functionality within the main accounting system.	Medium	Access to this tab has been removed. This action is complete. The process tab was removed from 12 Responsibility Menus in July 2016. A subsequent review identified 1 further Responsibility and that has also been amended.	July 2016, Financial Services Manager
1b	Ensure the revised password policy for the main accounting system is implemented by the Council and/or its service provider.	Low	Details have been provided to the Council's service provider and are awaiting implementation by a DBA. This action is complete.	September 2016, Financial Services Manager
1c	Ensure the audit logs produced from the main accounting system are subject to regular review and undertake an assessment to determine whether audit logging should be introduced in other areas.	Low	The logs will be reviewed on a regular basis. Additional logs will be introduced assuming no adverse effects on system performance in the test environment. This action is complete, however a subsequent review has identified that the logs could contain more meaningful information; assistance has been sought from our service provider.	October 2016, Financial Services Manager
2	Expand the narrative report so that it includes: an explanation of the interest paid by the Council during the year; information concerning the position presented in the Council's cash flow statement; and details of the agreed capital programme for the next financial year.	Low	The Narrative Report will be expanded to include the additional information for the 2016-2017 Statement of Accounts. This action cannot be completed yet. With the earlier closedown of the accounts, the implementation date will be May 2017 instead of June 2017.	June 2017, Director of Resources

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
3	<p>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.</p>	Low	<p>The Council Plan and associated strategic documents are currently under review. The Council intends to produce a four-year strategic plan to complement the 2016-2020 Budget Strategy. The Local Government Association has been retained to facilitate corporate planning sessions for Members. The Borough ambitions for economic development are set out in the Furness Economic Development Plan which links projects through to the Local Enterprise Partnership. The opportunities to benefit from the inward investment anticipated in the coming years will be reflected in the Council Plan.</p> <p>The Council Plan is not yet completed. Members have been working with the Local Government Association and it is expected that the Council Plan and associated documents will be prepared by April 2017. There will then be discussions with Management Group and a set of documents presented to the Executive Committee in May 2017; Council Plan, Medium Term Financial Plan, Workforce Strategy and others. The implementation date will be July 2017 (Full Council) rather than January 2017.</p>	January 2017, Executive Director
4	<p>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.</p>	Medium	<p>The Budget Strategy is presented for approval by Full Council on 6th September, 2016. For the major savings on contracts and leisure services, delivery plans will be established in order that the timing involved and the required decision process is apparent to Officers, Members and any others affected; this excludes the street cleansing saving which is part of the overall waste and street cleansing contract which is currently out to tender, with an award to be made in the Autumn.</p> <p>A Budget Strategy delivery plan was presented to the Executive Committee in November 2016. There will be further timeline details where contracting arrangements are concerned and these will follow in due course. This action is completed.</p>	November 2016, Executive Director and Director of Resources

Statement of Accounts 2016-2017

The timetable for the Statement of Accounts 2016-2017 has been prepared. Members will recall that the Statement of Accounts for 2017-2018 must be prepared by the 31st May, 2018, audited and issued by the 31st July, 2018. To prepare for that we have brought the timetable forward and the Audit Committee on 27th July, 2017, will receive the Statement of Accounts for 2016-2017; and Annual Governance Statement.

Officers in the Finance Department have attended the annual closedown events. The Accountancy Services Manager has agreed where our estimation processes can be speeded up without any material impact on the figures produced, and where data can be gathered earlier than previous years; these alterations have been discussed with me and with the external auditors.

There are a number of changes in the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 (Code). The main changes that directly impact the Borough Council are the amendments to reflect the understandability of local authority financial statements – the Narrative Report was introduced with the 2015-2016 Statement of Accounts; and the amendments to reflect the new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and to introduce a new Expenditure and Funding Analysis as a result of the Telling the Story review of the presentation of local authority financial statements.

The reporting and monitoring of Council finances will be mirrored in the statements within the Accounts and these generally, apart from a handful of cost centres, follow the lines of responsibility of Management Board:

- Community Services (Assistant Director);
- Corporate and Democratic Services (Director of Resources);
- Local Authority Housing (Assistant Director);
- Regeneration and Built Environment (Assistant Director), and;
- Support/Central Services (Director of Resources).

The divisions and my directorate ultimately report to the Executive Director.

Policy Reviews

The Audit Committee Work Plan includes an update on the review of Financial Regulations, Contract Standing Orders, and Anti-Fraud Policies.

There are no changes or revisions from those reviews being reported to the Executive Committee at this time.

Background Papers

Nil

		Part One
AUDIT COMMITTEE		(D)
Date of Meeting: 23rd March, 2017		Agenda
Reporting Officer: Director of Resources		Item
		13
<p>Title: Going Concern</p> <p>Summary and Conclusions:</p> <p>The Council is required to assess and determine that it is appropriate to prepare the financial statements on a going concern basis. The review should take account of all available information about the future, which is at least, but not limited to the next twelve months from the end of the reporting period.</p> <p>The accounts of the Council for the period 1st April, 2016 to 31st March, 2017 will be prepared on a going concern basis. This basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.</p> <p>Recommendations:</p> <p>To agree that the Council is a going concern and that it is appropriate for the accounts to be prepared on a going concern basis.</p>		

Report

International Financial Reporting Standards require the Council to assess and determine that it is appropriate to prepare the financial statements on a going concern basis. This should take account of all available information about the future, which is at least, but not limited to a period of twelve months from the end of the reporting period.

Management Board have considered all relevant factors (see the table below) and determined that the going concern concept does apply to Barrow Borough Council.

Therefore, the accounts of the Council for the period 1st April, 2016 to 31st March, 2017 will be prepared on a going concern basis. This basis assumes that the Council will be able to realise its assets and liabilities in the normal course of business and that it will continue in business for the foreseeable future.

Considerations	Assessment	Completed	Date
Forecasts and budgets	Council approved the budgets for 2017-2018.	Yes	March 2017
	Council approved Medium Term Financial Plan.	Yes	September 2016
	Council approved a three year capital programme.	Yes	March 2017
	External Audit provided an unqualified opinion on the accounts for the year ended 31st March 2016.	Yes	September 2016
	Budget Strategy to balance the budget by 2019-2020 approved by Council.	Yes	September 2016
Working capital facility	The Council's income stream is assessed as sufficient to provide adequate working capital. The Council's banking arrangement is flexible and can provide temporary cover if required.	Ongoing review	Ongoing
Medium and long term plans	The annual budget process provides the following years' budget as well as a three year forecast.	Yes	September 2016 Next iteration of the MTFP with Council Plan
	Council Plan and associated documents refreshed.	Ongoing	July 2017
New legislations	The HRA is now operating under the new self-financing arrangements.	Yes	April 2012
	The Council has adopted the prescribed default Council Tax Reduction Scheme for 2017-2018.	Yes	January 2017
	The Council is aware of the upcoming changes for Universal Credit.	Ongoing review	Ongoing
	The Council has signed up to the DCLG Right to Buy receipt retainment scheme.	Yes	Revised agreement signed June 2013

Considerations	Assessment	Completed	Date
Cash flow timing	A full assessment of projected cash inflows and outflows is carried out on daily basis, including the timing of receipts and settlement of all known liabilities. There are no known factors which would result in a cash shortage during 2016-2017. Business rate retention has been built in to the Council's cashflow projections.	Ongoing review	Ongoing
Contingent liabilities	The Council does not have any material contingent liabilities either at the present time or forecast which are not included in the accounts.	Yes	Ongoing review
Risk management	The Council has a risk management process which focuses on the business critical areas of operations and management.	Yes	Ongoing review
Political environment	The Council has moved to a four yearly election cycle. The May 2015 elections resulted in a decisive majority for one political party. This environment provides stability in the policy making areas relating to services and the overall direction of the Council.	Yes	May 2015

Background Papers

Nil

AUDIT COMMITTEE		Part One (D) Agenda Item 14
Date of Meeting: 23rd March, 2017		
Reporting Officer: Director of Resources		
<p>Title: Accounting Policies</p> <p>Summary and Conclusions:</p> <p>The Council's Accounting Policies have been reviewed to ensure that they remain relevant, current and reflect best practice.</p> <p>Recommendations:</p> <p>To approve the Accounting Policies for the Council's 2016-2017 Statement of Accounts.</p>		

Report

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

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

Changes in Accounting Policy

Where a change in accounting policy is required by the Code, the Council will disclose the information that might specifically be required by the Code. For other voluntary changes in accounting policy made by an authority, it is necessary to disclose the nature of the change, the reasons why applying the new accounting policy provides reliable and more relevant information and the required restatements.

Future Accounting Standards – Disclosures

Where a new standard has been published but has not yet been adopted by the Code, local authorities are required to disclose information relating to the impact of the accounting change. In making the disclosures required, practitioners are recommended to disclose the title of the new standard, the nature of the change in accounting policy or policies, the date by which the standard or interpretation is

likely to apply to local authorities and an explanation of the impact that the introduction of the new standard is likely to have on the financial statements estimated on a reasonable basis. If an estimate cannot be made on a reasonable basis because, for example, the base data required to estimate the impact of the new standard is not available, then the financial statements should clearly explain that this is the case.

Accounting Policies for 2016-2017

The following changes have been made:

- Financial years and dates have been updated as appropriate;
- Employee benefits (h), termination benefits has been updated with the following text appended in relation to enhanced voluntary redundancy payments;

A subsequent variation was agreed by the Council with the 2016-2020 Budget Strategy, for the Borough Kennels and Playgrounds Team to access the enhanced voluntary redundancy scheme from the 7 September 2016 until the 30 June 2017.

- Overheads and Support Services (p) has been updated in relation to
 - Corporate and Democratic Core, and
 - Non Distributed Costs:

These two cost categories are defined in the Service Reporting Code of Practice and were previously accounted for as separate headings in the Comprehensive Income and Expenditure Statement; these now form part of the Corporate and Democratic Services heading which remains part of Net Expenditure on Continuing Services.

Should any further revision be necessary during the closedown process, this will be reported to the next Audit Committee with the Statement of Accounts.

Members are recommended to approve the Accounting Policies attached at **Appendix 13** for the Council's 2016-2017 Statement of Accounts.

Background Papers

Nil

Barrow Borough Council – Accounting Policies 2016-2017**Note 1. ACCOUNTING POLICIES****a. General Principles**

The Statement of Accounts summarises the authority's transactions for the 2016/17 financial year and its position at the year-end of 31 March 2017. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. The Regulations require the Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 and the Service Reporting Code of Practice 2016/17, supported by International Financial Reporting Standards and Financial Reporting Standards.

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

The accounting statements have been prepared on a going concern basis which assumes that the authority will continue in operation for the foreseeable future.

b. Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the authority transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from the provision of services is recognised when the authority can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the authority.
- Revenue from leasehold properties is recognised on an averaged basis where leases contain rent free periods and the first year requires an adjustment of over £10k.
- Revenue from non-exchange transactions is recognised when it is probable that the benefit will flow and the amount can be measured reliably, further details are included in accounting policy d. Council Tax and Business Rate Transactions.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected. For housing benefit overpayments a full provision is made for the possible non-collection of this debt. However, it is the authority's policy to pursue all debtors where possible, however as the amounts and timing of recovery are not certain, they are not recognised in the Comprehensive Income and Expenditure Statement.

c. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

Barrow Borough Council – Accounting Policies 2016-2017

d. Council Tax and Business Rate Transactions

As the billing authority, Barrow Borough Council accounts for its own share of the council tax and business rates transactions in the Balance Sheet and its share of the collection fund balance is held in the Collection Fund Adjustment Account. The precepting authorities' share of the council tax or business rate transactions as well as their share of the collection fund balance is accounted for as a debtor or creditor with those bodies. The County Council and Government share of the business rate transactions as well as their share of the council tax is accounted for as a debtor or creditor with those bodies. The Police & Crime Commissioner for Cumbria share of the council tax is also accounted for as a debtor or creditor.

e. Exceptional Items

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income and Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the authority's financial performance.

f. Prior Period Adjustments, Changes in Accounting Policies and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates are accounted for prospectively, that is, in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the authority's financial position or financial performance. Where a change is made, it is applied retrospectively (unless stated otherwise) by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied.

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

g. Charges to Revenue for Non-Current Assets

Services and support services are debited with the following amounts to record the cost of holding fixed assets during the year:

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.

The authority is not required to raise council tax to fund depreciation, revaluation or impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the authority in accordance with statutory guidance. Depreciation, revaluation and impairment losses are therefore replaced by the contribution in the General Fund Balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

h. Employee Benefits

Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (for example, cars) for current employees and are recognised as an expense for services in the year in which employees render service to the authority. An accrual is made for the cost of holiday entitlements (or any form of leave, such as time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The

Barrow Borough Council – Accounting Policies 2016-2017

accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to (Surplus) or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the relevant service line in the Comprehensive Income and Expenditure Statement when the authority is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund or Housing Revenue Account balance to be charged with the amount payable by the authority to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and any such amounts payable but unpaid at the year-end. The authority's redundancy policy was amended by Council on the 16 March 2011 to introduce an enhanced redundancy payment, this ended on 30 June 2015. A subsequent variation was agreed by the Council with the 2016-2020 Budget Strategy, for the Borough Kennels and Playgrounds Team to access the enhanced scheme from the 7 September 2016 until the 30 June 2017.

Post-Employment Benefits

Employees of the authority are members of the Local Government Pension Scheme, run by Cumbria County Council.

The scheme provided defined benefits to members (retirement lump sums and pensions), earned as employees worked for the authority.

The Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefits scheme:

- The liabilities of the Cumbria pension fund attributable to the Authority are included in the Balance Sheet on an actuarial basis using the projected unit method – that is an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates and other factors, and projections of projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using the applicable discount rate based on the indicative rate of return on AA rated corporate bonds.
- The assets of the Cumbria pension fund attributable to the Authority are included in the Balance Sheet at their fair value:
 - quoted securities – current bid price
 - unquoted securities – professional estimate
 - unitised securities – current bid price
 - property – market value.
- The change in the net pensions liability is analysed into the following components:
 - Service cost comprising:
 - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
 - past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in

Barrow Borough Council – Accounting Policies 2016-2017

- the Comprehensive Income and Expenditure Statement as part of Non Distributed Costs
- net interest on the net defined benefit liability (asset), that is, net interest expense for the authority – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
 - Re-measurements comprising:
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
 - contributions paid to the Cumbria pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund and Housing Revenue Account Balance to be charged with the amount payable by the Authority to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The authority also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

i. Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events; and, those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

Barrow Borough Council – Accounting Policies 2016-2017

J. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Gains and losses on the repurchase or early settlement of borrowing are credited and debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement in the year of repurchase/settlement. However, where repurchase has taken place as part of a restructuring of the loan portfolio that involves the modification or exchange of existing instruments, the premium or discount is respectively deducted from or added to the amortised cost of the new or modified loan and the write-down to the Comprehensive Income and Expenditure Statement is spread over the life of the loan by an adjustment to the effective interest rate.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, where it is material. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Where premiums and discounts have been charged to the Housing Revenue Account, regulations state that the impact on the Housing Revenue Account Balance must be spread over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, restricted to a term of 10 years.

Financial Assets - Loans and Receivables

Loans and receivables are assets that have fixed or determinable payments but are not quoted in an active market. These are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the authority has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income and Expenditure Statement is the amount receivable for the year in the loan agreement.

However, the authority has made an interest free loan using Cluster of Empty Homes funding to a private landlord at less than market rate (soft loan). When soft loans are made, a loss is recorded in the Comprehensive Income and Expenditure Statement (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal. Interest is credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement at a higher effective rate of interest than the rate receivable from the private landlord, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the

Barrow Borough Council – Accounting Policies 2016-2017

reconciliation of amounts debited and credited to the Comprehensive Income and Expenditure Statement to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement. Upon repayment, the Cluster of Empty Homes funding is recognised as a capital receipt.

Where assets are identified as impaired because of a likelihood arising from a past event and the payments due under the contract will not be made, the asset is written down and a charge made to the relevant service (for receivables specific to that service) or the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The impairment loss is measured as the difference between the carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate.

Any gains and losses that arise on the de-recognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

Loans and receivables also include assets traded in an active market, such as stocks, shares and gilts. In line with the Treasury Strategy the authority does not currently trade in this type of asset.

k. Foreign Currency Translation

Where the authority has entered into a transaction denominated in a foreign currency, the transaction is converted into sterling at the exchange rate applicable on the date the transaction was effective. Where amounts in foreign currency are outstanding at the year-end, they are reconverted at the spot exchange rate at 31 March. Resulting gains or losses are recognised in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

l. Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the authority when there is reasonable assurance that:

- the authority will comply with the conditions attached to the payments, and
- the grants or contributions will be received.

Amounts recognised as due to the authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ring fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied Account. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Account are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Barrow Borough Council – Accounting Policies 2016-2017

m. Efficiency Support Grant

Efficiency Support Grant is a revenue grant paid by Central Government between 2013/14 and 2015/16. It was paid to authorities who would otherwise see a reduction in 'Revenue Spending Power' of more than 8.8% in 2013/14 and 6.9% in 2014/15 and 6.4% in 2015/16. The grant is the amount needed to ensure that no authority experiences a Revenue Spending Power reduction of more than the cap. The definition of 'Revenue Spending Power' used to calculate eligibility for the grant is the aggregate of Council Tax, Formula Grant and other Specific Grants. The grant is non-ring fenced and is credited to the Taxation and Non-Specific Grant Income in the Comprehensive Income and Expenditure Statement.

n. Inventories and Long Term Contracts

Inventories are included in the Balance Sheet at the lower of cost and net realisable value. The authority's inventories are stocks purchased for internal issue and for sale as merchandise.

Long term contracts are accounted for on the basis of charging the (Surplus) or Deficit on the Provision of Services with the value of works and services received under the contract during the financial year.

o. Leases

Leases are classified as finance leases where the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the property, plant or equipment from the lessor to the lessee. All other leases are classified as operating leases.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Authority as Lessee

Operating Leases

Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a rent-free period at the commencement of the lease).

Vehicles and equipment that are contained within a contractual arrangement are deemed to be an operating lease where the Council does not significantly control the physical assets and where the term of the contract is less than the expected useful life of the assets.

The Authority as Lessor

Operating Leases

Where the authority grants an operating lease over a property, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, there is a premium paid at the commencement of the lease).

All operating leases, including peppercorn leases, are recognised by the authority for disclosure purposes, building leases not less than 10 years and land leases not less than 50 years are assessed

Barrow Borough Council – Accounting Policies 2016-2017

for evidence of a finance lease. Vehicle and equipment operating leases are deemed to be immaterial.

p. Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2016/17. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion to the benefits received, with the exception of:

- Corporate and Democratic Core – costs relating to the authority's status as a multifunctional, democratic organisation.
- Non Distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in the Service Reporting Code of Practice and were previously accounted for as separate headings in the Comprehensive Income and Expenditure Statement; these now form part of the Corporate and Democratic Services heading which remains part of Net Expenditure on Continuing Services.

q. Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

The Council holds a number of assets acquired to enhance the built environment, support the local economy and provide the type of property needed for business development in the Borough. Collectively, these are regeneration assets and they continue to be held by the authority for the same purpose as at acquisition. Regeneration assets are recognised as Other Land and Buildings within the Balance Sheet. The rental stream from these assets is credited to the Comprehensive Income and Expenditure Statement. Disposal proceeds from appropriate regeneration assets are subject to Government funding claw back consideration.

Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (repairs and maintenance) is charged as an expense when it is incurred. Acquisitions under £10,000 are de minimis and are not considered to create an asset.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The authority does not capitalise borrowing costs.

The cost of assets acquired other than by purchase is deemed to be its current value, unless the acquisition does not have commercial substance (which will not lead to a variation in the cash flows of the authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the authority.

Barrow Borough Council – Accounting Policies 2016-2017

Assets are then carried in the Balance Sheet using the following measurement bases:

- infrastructure, community assets and assets under construction – depreciated historical cost
- dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- surplus assets – the current value measurement base is fair value, estimated at highest and best use
- all other assets – current value – market value in existing use (MV-EUV) or where the asset is of a specialist nature and has no active market, depreciated replacement cost (DRC) is used as an estimate of fair value

Where non-property assets that have short useful lives or low value (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of a loss previously charged to a service.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Where an item of Property, Plant and Equipment with a value over £150,000 has major components whose cost is not less than 20% of the total cost of the asset, the components are treated as separate assets. For existing assets the components are recognised on replacement until a revaluation is performed.

Fair value measurement

The authority measures some of its non-financial assets, such as surplus assets and some of its financial instruments, at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or, in the absence of the principal market, in the most advantageous market for the asset or liability.

The authority measures the fair value of an asset or liability on the same basis that market participants would use when pricing the asset or liability; assuming those market participants were acting in their economic best interest.

When measuring the fair value of a non-financial asset, the authority takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The authority uses appropriate valuation techniques for each circumstance, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. This takes into account the three levels of categories for inputs to valuations for fair value assets at:

Barrow Borough Council – Accounting Policies 2016-2017

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 - unobservable inputs for the asset or liability.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (such as freehold land and certain Community Assets) and assets that are not yet available for use (assets under construction).

Depreciation is calculated on the following bases:

- dwellings and other buildings – straight-line allocation over the useful life of the property as estimated by the valuer
- plant and equipment – straight-line allocation over the useful life of each class of assets in the Balance Sheet, as advised by a suitably qualified officer
- infrastructure – straight-line allocation over the useful life of the asset.

Where an item of Property, Plant and Equipment with a value over £150,000 has major components whose cost is not less than 20% of the total cost of the asset, the components are depreciated separately. For existing assets the components are recognised on replacement until a revaluation is performed.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less the costs of sale. Where there is a subsequent decrease to fair value the loss is posted to the Other Operating Expenditure line in the Comprehensive Income and Expenditure

Barrow Borough Council – Accounting Policies 2016-2017

Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the (Surplus) or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Council dwellings are available for sale to sitting tenants under the provisions of the Right to Buy legislation. The authority does not classify these as held for sale unless there is a formal exchange date available at the year end.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of, decommissioned or derecognised, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (that is netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to housing disposals (75% for dwellings, 50% for land and other assets, net of statutory deductions and allowances) is payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve, and can then only be used for new capital investment or set aside to reduce the authority's underlying need to borrow (the capital financing requirement). Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

r. Provisions, Contingent Liabilities and Contingent Assets

Provisions

Provisions are made where an event has taken place that gives the authority a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement in the year that the authority becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year – where it becomes less than probable that a transfer of economic benefits will now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party, this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the authority settles the obligation.

Barrow Borough Council – Accounting Policies 2016-2017

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

s. Reserves

The authority sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the (Surplus) or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, pensions and employee benefits and do not represent usable resources for the authority – these reserves are explained in the relevant policies.

t. Revenue Expenditure Funded from Capital under Statute

Expenditure incurred during the year that may be capitalised under statutory provisions but that does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the authority has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

u. VAT

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

AUDIT COMMITTEE		Part One (D) Agenda Item 15
Date of Meeting:	23rd March, 2017	
Reporting Officer:	Director of Resources	
<p>Title: Audit Committee Assurance</p> <p>Summary and Conclusions:</p> <p>The External Auditor has requested the Chairman of the Audit Committee to explain how the Audit Committee gains assurance from management. This report provides the response for Members to endorse.</p> <p>Recommendations:</p> <p>To receive and agree the Chairman's response.</p>		

Report

The External Auditor has requested that the Chairman of the Audit Committee explain how assurance from management is obtained, this request is attached as **Appendix 14**.

The Chairman's response is attached as **Appendix 15** and Members are recommended to receive and agree the Chairman's response. The response will be reconsidered by the Chairman at the beginning of April to ensure that the full financial year is reflected. Any material changes to the response outlined will be reported to the next Audit Committee.

Background Papers

Nil



Grant Thornton

Councillor Anne Burns
 Chair of Audit Committee
 Duke Street,
 Barrow-In-Furness,
 Cumbria, LA14 2LD

17 February 2017

Grant Thornton UK LLP
 4 Hardman Square
 Spinningfields
 Manchester M3 3EB

T +44 (0)161 953 6900
 F +44 (0)161 953 6901
 www.grant-thornton.co.uk

Dear Councillor Burns,

**Barrow Borough Council: Financial Statements for the Year End 31 March 2017 -
 Understanding how the Audit Committee gains assurance from management**

To comply with International Auditing Standards, we need to establish an understanding of how the Audit Committee gains assurance over management processes and arrangements.

I would be grateful, therefore, if you could write to me in your role as Chair of the Audit Committee with your responses to the following questions.

- 1 How does the Audit Committee oversee management's processes in relation to:
 - carrying out an assessment of the risk the financial statements may be materially misstated due to fraud or error
 - identifying and responding to the risk of breaches in internal control
 - identifying and responding to risks of fraud in the organisation (including any specific risks of fraud which management have identified or that have been brought to its attention, or classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist)
 - communicating to employees its views on appropriate business practice and ethical behavior (for example by updating, communicating and monitoring against the relevant codes of conduct)?
- 2 How will the Audit Committee satisfy itself that it is appropriate to adopt the going concern basis in preparing the financial statements?
- 3 Do you have knowledge of any actual, suspected or alleged frauds? If so, please provide details.
- 4 Are you aware of any aspects of the Council's system of internal control where you believe that appropriate internal controls are not in place or have not been operating effectively?
- 5 How does the Audit Committee gain assurance that all relevant laws and regulations have been complied with?
- 6 Are you aware of any actual or potential litigation or claims that would affect the financial statements?
- 7 Have you received or are you aware of any complaints received from whistleblowers?

- 8 Are you aware of any related party transactions that could give rise to the risk of fraud?
- 9 Have there been any reports from other regulatory bodies, such as HMRC, which indicate non-compliance?

To assist you with preparing this response I have provided an electronic template which you can use to help prepare your response. I have arranged with the Director of Resources that your draft response can be included on the agenda for the meeting of the Audit Committee to be held on 23 March 2017. This will provide an opportunity for the members of the Committee to consider the Committee's response. I request that you provide a signed response after 31 March 2017 to ensure that you are in a position to consider circumstances occurring in the period up to and including the Council's financial year-end.

Yours sincerely



Neil Krajewski

Engagement Manager
For Grant Thornton UK LLP

T 0161 234 6371
F 0161 953 6901
E Neil.P.Krajewski@uk.gt.com

Barrow Borough Council – 2016/17 Response from Accounts and Audit Committee Chair

Fraud risk assessment

Auditor Question	Response
Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?	
What are the results of this process?	
What processes does the Authority have in place to identify and respond to risks of fraud?	
What arrangements has the Authority put in place to assure itself that it is appropriate to adopt the going concern basis to prepare the Authority's financial statements	
Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?	
Are internal controls, including segregation of duties, in place and operating effectively?	
If not, where are the risk areas and what mitigating actions have been taken?	
Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?	
Are there any areas where there is a potential for misreporting?	
How does the Authority exercise oversight over management's processes for identifying and responding to risks of fraud?	
What arrangements are in place to report fraud issues and risks to the Authority?	
How does the Authority communicate and encourage ethical behaviour of its staff and contractors?	
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2016?	

Laws and regulations

Auditor Question	Response
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?	
How does management gain assurance that all relevant laws and regulations have been complied with?	
How is the Authority provided with assurance that all relevant laws and regulations have been complied with?	
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016?	
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	
Is there any actual or potential litigation or claims that would affect the financial statements?	
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	

Neil Krajewski
Engagement Manager
Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

Barrow Borough Council
Resources Directorate
TOWN HALL · DUKE STREET
BARROW-IN-FURNESS · CUMBRIA LA14 2LD
Tel: (01229) 876543
DX 63917 BARROW-IN-FURNESS
Email: customerservices@barrowbc.gov.uk
www.barrowbc.gov.uk

Our Ref: SMR/AB

Contact Name: Susan Roberts

Date: 07/04/2017

Your Ref: -

Dear Neil

**Barrow Borough Council Financial Statements for the Year End 31 March 2017
Understanding how the Audit Committee gains assurance from management**

Thank you for your letter of the 17th February, 2017, regarding the above. I have set out my responses at **Appendix 1**.

Since the meeting of the Audit Committee (there have been no changes that impact on my review/the following changes have occurred with the impact on my review shown below: <insert details>).

Yours sincerely


Councillor Mrs A Burns
Chairman of the Audit Committee

Appendix 1 – Responses from the Chairman of the Audit Committee

Barrow Borough Council – 2016/17 Response from the Chairman of the Audit Committee

Fraud risk assessment

Auditor Question	Response
<p>Has the Authority assessed the risk of material misstatement in the financial statements due to fraud?</p>	<p>Yes, the Accountancy Services Manager is responsible for compiling the financial statements based on the work performed by the Finance Department. There is a secondary check performed within the Finance Department prior to this compilation. The financial statements are checked again, independently, by the Director of Resources prior to authorising for issue.</p> <p>The underlying financial systems are checked by Internal Audit as part of the work on internal controls and periodic checks are performed throughout the year.</p> <p>The basis of estimations and significant judgements is disclosed in the Statement of Accounts along with accounting policies.</p>
<p>What are the results of this process?</p>	<p>The checks of the financial statements are evidenced on the detailed timetable held by the Finance Department. Any fraudulent misstatements identified would be reported to the Director of Resources.</p> <p>Any fraudulent misstatements identified by the Internal Audit work would also be reported to the Director of Resources.</p> <p>An investigation and appropriate action would be initiated by the Director of Resources. If the Director of Resources' management override were suspected, the matter would be referred to the Executive Director.</p>

Auditor Question	Response
<p>What processes does the Authority have in place to identify and respond to risks of fraud?</p>	<p>The Council has a comprehensive Anti-Fraud, Theft, Bribery and Corruption Strategy and Response Plan, and a Whistleblowing Policy.</p> <p>The Internal Audit annual plan is risk-based and is intended to cover all significant risk areas.</p> <p>The Fraud Hotline provides an independent route for any concerns to be raised confidentially.</p> <p>There is a Code of Conduct for Members of the Council and separately for Officers.</p> <p>The Council has a Money Laundering Policy and controls its treasury activities through its Treasury Management Practices.</p> <p>The Finance Department control changes to supplier details and also authenticate any subsequent updates.</p> <p>Segregation of duties and management authorisations operate in the areas of the Council involving financial controls, such as ordering goods or services, payment of invoices or expenses, cash and banking reconciliations.</p>
<p>What arrangements has the Authority put in place to assure itself that it is appropriate to adopt the going concern basis to prepare the Authority's financial statements?</p>	<p>Management Board perform an annual review of financial, forward planning, legislative and political aspects of the Council and its environment to judge the going concern basis. This is reported for the Audit Committee to consider and agree with.</p>

Auditor Question	Response
<p>Have any specific fraud risks, or areas with a high risk of fraud, been identified and what has been done to mitigate these risks?</p>	<p>No new fraud risks have become apparent. All financial transactions carry a degree of risk and that was assessed as part of the internal control framework when systems and processes were designed. Any changes or adaptations to the existing systems and processes are thoroughly assessed before being implemented.</p> <p>The areas within the Council that operate with cash are always deemed as high risk for potential fraud. There are specific controls designed to mitigate and detect any fraudulent activity.</p> <p>Treasury management involves high value transactions and again specific controls are in place internally as well as externally – the brokers and counterparties all have fraud risk mitigation and detection built into their dealings process.</p>
<p>Are internal controls, including segregation of duties, in place and operating effectively?</p>	<p>Yes, the Council's internal controls are reviewed and tested by Internal Audit and through management review. Managers are sometimes part of an internal control process, but where this is not the case it is expected that checks are made to ensure the continued observance of the controls is occurring.</p> <p>Duties are segregated where necessary and dual authorisation applies to all financial transactions.</p> <p>The main source of assurance will always be Internal Audit.</p>
<p>If not, where are the risk areas and what mitigating actions have been taken?</p>	<p>This is covered in the previous response.</p>

Auditor Question	Response
<p>Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)?</p>	<p>There are no areas where financial targets apply and there is no benefit in inappropriately influencing the financial reporting process.</p> <p>The quarterly reporting follows a similar process to the financial statements; the Finance Department create all the transactions for services, the Accountancy Services Manager compiles the budgetary movements and reserves, the Director of Resources prepares the overall monitoring report.</p> <p>Access to posting entries into the General Ledger is restricted to three senior officers. Access to update the sub-ledgers is restricted to the Finance Department where internal controls exist for each process and segregation of duties is observed.</p>
<p>Are there any areas where there is a potential for misreporting?</p>	<p>There are no areas where there is a potential for misreporting as the financial information is sourced from the General Ledger which is within a controlled environment as already explained in the previous response.</p>
<p>How does the Authority exercise oversight over management's processes for identifying and responding to risks of fraud?</p>	<p>The Audit Committee receives reports from Internal Audit, the Director of Resources and the appointed external auditors. Any issues relating to fraud would be reported to the Audit Committee.</p> <p>The Anti-Fraud Policies are approved and adopted by Full Council through the Executive Committee process. The Audit Committee are made aware of the process and any updates or revisions as the committee charged with governance.</p>
<p>What arrangements are in place to report fraud issues and risks to the Authority?</p>	<p>The Anti-Fraud Policies identify Internal Audit as the preferred route to report fraud issues and risks. However, officers can report concerns to their managers or Management Board if they prefer.</p> <p>For Members, any potential issues are reported to the Monitoring Officer in the first instance.</p>

Auditor Question	Response
How does the Authority communicate and encourage ethical behaviour of its staff and contractors?	<p>There is a comprehensive checklist is completed as part of the induction process for new staff, which includes the way the Council operates and the policies and conditions of service that the officers are expected to work to.</p> <p>Policies, such as the Anti-Fraud Policies are available online to all staff with computer access and managers are asked to provide these in hard copy to other employees. As and when policies change, an email is sent to all staff to make them aware that changes have occurred (usually with a brief summary of the changes included) and that a revised or updated policy has now been published.</p>
How do you encourage staff to report their concerns about fraud? Have any significant issues been reported?	The Whistleblowing Policy is promoted and no fraud concerns have been raised during 2016-2017; 3 non-fraud concerns were reported.
Are you aware of any related party relationships or transactions that could give rise to risks of fraud?	There are no related party relationships or transactions that could give rise to risks of fraud that I am aware of.
Are you aware of any instances of actual, suspected or alleged, fraud, either within the Council as a whole or within specific departments since 1 April 2016?	There are no instances of actual, suspected or alleged fraud either within the Council as a whole or within specific departments since 1 April 2016 that I am aware of.

Laws and regulations

Auditor Question	Response
What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?	<p>The Council relies on the Monitoring Officer to prevent and detect non-compliance with laws and regulations.</p> <p>The Council also employs a number of professional, qualified officers in particular fields of expertise and also obtains external legal advice when required; generally for clarification in specific circumstances.</p> <p>The Executive Committee report template includes consideration of the legal aspects of any decision for Members.</p>
How does management gain assurance that all relevant laws and regulations have been complied with?	<p>The Monitoring Officer has overall responsibility for assuring management that all relevant laws and regulations have been complied with.</p> <p>Management Board review the legal aspects of any decision for Members at pre-agenda meetings.</p>
How is the Authority provided with assurance that all relevant laws and regulations have been complied with?	The Monitoring Officer will report any breaches in relevant laws and regulations.
Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016?	There have been no instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016.
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	Claims against the Council are raised with Management Board and would be dealt with either by the Council's insurers, retained solicitors or an alternate if specific expertise were required.
Is there any actual or potential litigation or claims that would affect the financial statements?	There are no actual or potential litigation or claims that would affect the financial statements.
Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?	There have been no reports from other regulatory bodies that indicate non-compliance.

AUDIT COMMITTEE		Part One
Date of Meeting: 23rd March, 2017		(D) Agenda Item 16
Reporting Officer: Director of Resources		
Title: Audit Committee Work Plan		
Summary and Conclusions:		
This report sets out the Work Plan for the Audit Committee for 2017-2018.		
Recommendations:		
To agree the Work Plan for 2017-2018.		

Report

The Audit Committee Work Plan is set out in **Appendix 16** and will be the basis for the agenda of the meetings in 2017-2018.

The items listed within the plan are not exclusive as other items can be brought to the Audit Committee as appropriate. Any recurring items will be built into the Work Plan.

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

Members are recommended to agree the Work Plan for 2017-2018.

Background Papers

Nil



Audit Committee Work Plan 2017-2018

Terms of Reference	Reporting Officer	Report	Meeting			
			Jul	Sep	Dec	Mar
To approve the Internal Audit planned activity for the year.	Head of Internal Audit	Annual Plan				✓
To consider progress reports and summaries of Internal Audit reports and outstanding actions.	Head of Internal Audit	Final Reports	✓	✓	✓	✓
		Progress Report		✓	✓	✓
To consider the annual report and opinion of the Head of Internal Audit.	Head of Internal Audit	Annual Report	✓			
To consider the External Audit Annual Governance Report.	Appointed Auditor	Annual Governance Report	✓			
To consider External Audit reports.	Appointed Auditor	Audit Plan				✓
		Claims and Returns Annual Report <i>(Upon completion of work)</i>			✓	
		Annual Audit Letter		✓		
		Audit Committee Update <i>(Where required)</i>			✓	
To receive the External Audit fee letter.	Appointed Auditor	Planned audit fee letter	✓			
To review and approve the Statement of Accounts.	Director of Resources	Audit Committee Update <i>(Where required)</i>			✓	
		Going Concern				✓
		Accounting Policies				✓
		Statement of Accounts	✓			
		Letter of Representation	✓			

Audit Committee Work Plan 2017-2018



Terms of Reference	Reporting Officer	Report	Meeting			
			Jul	Sep	Dec	Mar
To maintain an overview of Financial Regulations and Contract Standing Orders.	Director of Resources	Annual Review				✓
To monitor anti-fraud and corruption strategy.	Director of Resources	Annual Review				✓
To consider a report on the Internal Audit function.	Director of Resources	Annual Review	✓			
To review the effectiveness of the Audit Committee.	Director of Resources	Annual Review of Audit Committee Effectiveness	✓			
		Audit Committee Work Plan				✓
		Audit Committee Terms of Reference	✓			
To consider and approve the Annual Governance Statement.	Corporate Support Manager	Draft Annual Governance Statement				✓
		Final Annual Governance Statement	✓			
To consider and monitor corporate governance arrangements.	Corporate Support Manager	Monitoring Report (Governance)			✓	✓
		Code of Corporate Governance Annual Review				✓
		Monitoring Report (Priority 1 recommendations)	✓	✓	✓	✓
To monitor and review risk management arrangements.	Corporate Support Manager	Monitoring Report	✓	✓	✓	✓
To monitor the Councils' complaints process.	Monitoring Officer	Annual Report		✓		

AUDIT COMMITTEE	Part One
Date of Meeting: 23rd March, 2017	(D)
Reporting Officer: Corporate Support Manager	Agenda Item 17
<p>Title: Risk Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with the Council's Risk Registers.</p> <p>Recommendations:</p> <p>To consider the report and determine whether further action is required.</p>	

Report

The latest risk register for 2016/17 is attached as **Appendix 17** it continues to focus on those business critical risks which are under the control of the Council.

The risk register will be presented to Management Board at their meeting of 20th February and no changes were made.

Operational risks

The Operational risk register is attached as **Appendix 18**.

The risk register will be presented to Management Board at their meeting of 20th February and no changes were made.

A review of both risk registers will be undertaken at the start of the next financial year.

Background Papers

Nil.

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<p>Corporate 1 2016/1 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£1.16k 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>Corporate 2 2016/1 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 9th 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. Along with the Budget Strategy, the Council will review and publish its Plan, Priorities and Objectives for the coterminous period. 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>Corporate 3 2016/1 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 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>Corporate 4 2016/1 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>Corporate 5 2016/1 Impact of Welfare Reform changes</p>	<p>4</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>Corporate 6 2016/1 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. Members of the public and Council employees could be put at risk by Council operations</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. The establishment of the Technical Services Team and the Health & Safety Management Group has strengthened the Council's H&S arrangements. Health & Safety systems will be kept under review. All staff have received electronic H&S training. Agreed H&S improvement plan in the process of implementation. High risk services will be targeted for improvement</p>	<p>Executive Director</p>	<p>3</p>	<p>3</p>	<p>9</p>	
<p>Corporate 7 2016/1 Maintain H&S arrangements and target services for improvement.</p>	<p>2</p>	<p>5</p>	<p>10</p>			<p>Executive Director</p>	<p>2</p>	<p>3</p>	<p>6</p>	

<p>Corporate 8 2016/1 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>Corporate 9 2016/1 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>Corporate 10 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>Corporate 11 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>Corporate 12 2016/1 Major incident affecting service delivery</p>	1	5	5	<p>Widespread damage due to fire, flooding or severe weather.</p>	<p>Business continuity plan. Contingency plans. Remote access to Council systems</p>	<p>Executive Director</p>	1	4	4
<p>Corporate 13 2016/1 Major incident affecting ICT systems</p>	1	4	4	<p>Damage to Council's ICT infrastructure due to fire or flooding. Failure of ICT systems may adversely affect service delivery.</p>	<p>Disaster recovery plan Business continuity plan. Contingency plans. Remote access to Council systems Offsite replicate server has been established.</p>	<p>Director of Resources</p>	1	3	3

Operational risks March 2016

Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
<p>Operational 1 2016/1 Not having adequate staffing to deliver key services.</p>	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> <p>The Council has a Business Continuity Plan.</p>	Management Board	3	4	12
<p>Operational 2 2016/17/1 Access to operational buildings.</p>	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	<p>Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities.</p> <p>Key back office functions performed in the Town Hall can be carried out from other operational buildings.</p> <p>There are several key holders for each operational building.</p>	Executive Director	1	3	3

Operational risks March 2016

Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
Operational 3 2016/17/1 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
Operational 4 2016/17/1 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
Operational 5 2016/17/1 Reduced income may challenge the Council's ability to focus on any more than the decent homes standard and delay investment in the wider environment or the upkeep of communal areas on estates	3	5	15	The Housing Service seeks to ensure the majority of its investment is delivered through a procurement club which adds value, capacity and ensure value for money.	Regular stock surveys are completed and communication with tenants ensures available resources are focused appropriately.	Assistant Director - Housing	2	3	6

Operational risks March 2016

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

Operational risks March 2016

Threat	Likely hood	Impact	score	Potential impact	Mitigating actions	Responsible	Likely hood	Impact	score
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

AUDIT COMMITTEE		Part One
Date of Meeting: 23rd March, 2017		(D)
Reporting Officer: Corporate Support Manager		Agenda Item 18
<p>Title: Monitoring Priority 1 Recommendations</p> <p>Summary and Conclusions:</p> <p>Monitoring the implementation of all agreed Internal Audit, Priority 1 recommendations.</p> <p>Recommendations:</p> <p>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 was one Priority 1 Recommendation from: INTERNAL AUDIT FINAL REPORT CR 84 - BARROW CEMETERY NORTH WEST EXTENSION.

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.

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.

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.

The Assistant Director of Regeneration and the Built Environment has accepted that this shouldn't have happened.

Background Papers

Nil

AUDIT COMMITTEE		Part One (D) Agenda Item 19
Date of Meeting:	23rd March, 2017	
Reporting Officer:	Corporate Support Manager	
<p>Title: Code of Corporate Governance</p> <p>Summary and Conclusions:</p> <p>Provide Members with the Code of Corporate Governance.</p> <p>Recommendations:</p> <p>To endorse this Code of Corporate Governance.</p>		

Report

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

CIPFA revised the framework for good governance in the public sector based on the International Framework, Good Governance in the Public Sector.

The framework is designed as a reference document for those who develop governance codes for the public sector when updating and reviewing their own codes. The framework provides a shared understanding of what constitutes good governance in the public sector.

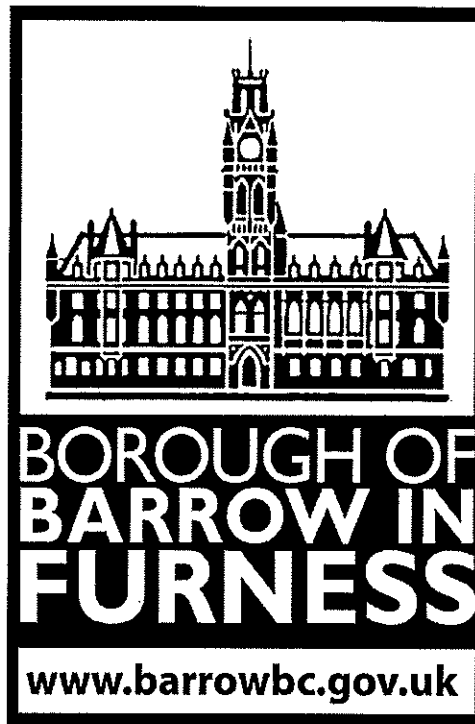
Although the core principles have not changed significantly following the revision the layout has changed and sub-principles have been introduced.

The Code will be submitted to Management Board at their meeting on 27th March, 2017.

This Committee is invited to endorse the Code (Attached at **Appendix 19**).

Background Papers

Nil



Local Code of Corporate Governance

Version Control:	
Document Name:	Local Code of Corporate Governance
Version:	Version 2.0
Author:	Corporate Support Manager
Approved by:	Audit Committee
Date Approved:	March 2017
Review Date	February 2018

Introduction

The Council produces a code of corporate governance which is reviewed on an annual basis. Guidance for preparing the code is provided by the Chartered Institute for Public Finance and Accountancy (CIPFA). CIPFA has developed a framework for good governance in the public sector based on the International Framework, Good Governance in the Public Sector. The framework comprises of seven principles of good governance. In the framework governance is defined as follows:

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

The framework also states that:

To deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve the entity's objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders.

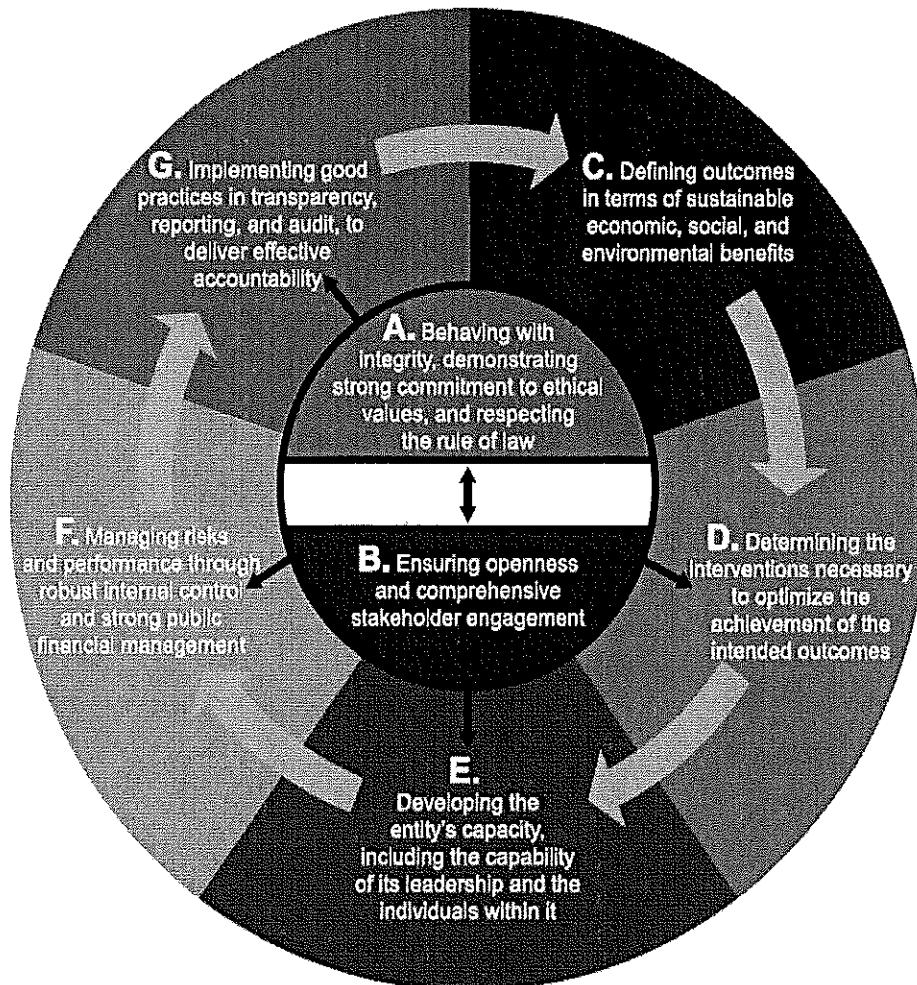
In local government the governing body is the full Council. Our Local Code of Corporate Governance is the document that sets out the framework within which the Council conducts its business and affairs; it is based on seven principles of good governance.

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

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

Defining the core principles and sub principles of good governance

Achieving the Intended Outcomes While Acting in the Public Interest at all Times



The diagram from the *International Framework* above illustrates how the various principles for good governance in the public sector relate to each other.

Principles A and B permeate implementation of principles C to G. The diagram also illustrates that good governance is dynamic, and that an entity as a whole should be committed to improving governance on a continuing basis through a process of evaluation and review.

A: Behaving with integrity, demonstrating a strong commitment to ethical values, and respecting the rule of law.

The Council is responsible for using national resources collected through taxation to provide services for our citizens. We are accountable not only for how much we spend but also for the way we use the resources with which we have been entrusted. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, we have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies.

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

It is essential that, as a whole, we can demonstrate the appropriateness of all our actions across all activities and have mechanisms in place that encourage and enforce adherence to ethical values and to respect the rule of law.

Behaving with integrity

Ensuring Members and Officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the Council.

We have put in place arrangements to ensure that Members and staff of the Council behave with integrity and are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders. We have put in place appropriate processes to ensure that these arrangements are workable including declaration of interests and anti-corruption policies.

We have adopted formal codes of conduct defining standards of personal behaviour for Members and Officers.

Ensuring Members take the lead in establishing specific values for the organisation and its staff and that they are communicated and understood.

The Council maintains shared values including Leadership values (openness, support and respect) both for the Council and its Officers. These are defined in the Constitution and reflect public expectations about the conduct and behaviour of individuals.

Ensuring Members and Officers lead by example and use the above standard operating principles or values as a framework for decision making and other actions.

Local Code of Corporate Governance 2017

We use shared values as a guide for decision making and as a basis for developing positive and trusting relationships within the Council. We demonstrate this by adherence to the Constitution. Elected Members will identify and agree the priorities for the Council to ensure they reflect the needs and aspirations of citizens and businesses.

We will produce a Council Plan to communicate our priorities and values to staff, Members and the public.

Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure they operate effectively.

We ensure that systems and processes for financial administration and control together with protection of the Council's resources and assets, comply with ethical standards; and are subject to monitoring of their effectiveness.

Demonstrating strong commitment to ethical values

Seeking to establish, monitor and maintain the organisation's ethical performance.

We maintain the Audit Committee to raise awareness and take the lead in ensuring high standards of conduct are embedded within the Council's culture.

We have established a governance group with the remit of collecting assurance information across all departments.

We will publish an Annual Governance Statement, signed by the Executive Director and the Chair of the Audit Committee to confirm that we are satisfied that we have effective governance arrangements in place.

Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation.

We have adopted formal codes of conduct defining standards of personal behaviour for Members and Officers.

We have put in place effective systems to protect the rights of staff. We ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place.

Respecting the rule of law

Ensuring Members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations.

Members and Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.

Creating the conditions to ensure that the statutory Officers and other key post holders are able to fulfil their responsibilities.

We will ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making where appropriate.

Striving to use the authority's full powers for the benefit of its citizens, its communities and other stakeholders.

Officers will actively recognise the limits of lawful activity placed on them but also strive to utilise their powers to the full benefit of their communities.

Dealing with breaches of legal and regulatory provisions effectively.

We ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place. The Council has effective disciplinary policies in place.

Ensuring corruption and misuse of power are dealt with effectively.

Members and Officers will observe all specific legislative requirements placed upon the Council as well as the requirements of general law, and in particular integrate the key principles of administrative law – rationality, legality and natural justice into the procedures and decision making.

The Council has effective disciplinary policies in place. Non-compliance with the Members Code of Conduct is dealt with through Group discipline.

B: Ensuring openness and comprehensive stakeholder engagement

Openness

The Council operates for the public good, and ensure openness in our activities. We strive to use clear, trusted channels of communication and consultation to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders.

Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.

We ensure that the Council's vision, strategic plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated.

Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes.

We will maintain a culture of accountability so that Members and Officers understand to whom they are accountable and for what.

We will ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We will attempt to publish all committee agenda items under Part One (unrestricted access) unless there is the need to preserve confidentiality where it is proper and appropriate to do so.

Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, that they are clear about the impact and consequences of those decisions.

We provide clear recommendations to the decision-making committees supported by balanced reasoning and evidence. We will assess the financial, health and safety, equalities and other risks relating to those decisions and provide Members with the outputs from those assessments.

We deliver effective scrutiny of the Council's business as appropriate and produce an annual report on the activities of scrutiny function.

Engaging comprehensively with institutional stakeholders

Effectively engaging with stakeholders to ensure that the purpose, objectives and intended outcomes are clear so that outcomes are achieved successfully and sustainably.

We will strive to engage with stakeholders on an individual and collective basis to demonstrate that we deliver services and outcomes that meet the needs and expectations of the public. These arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.

Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively.

We will contribute to and support initiatives that benefit the citizens and businesses in the Borough.

We will ensure that partnerships are based on trust, a shared commitment to change and a culture that promotes and accepts challenge among partners.

When supporting stakeholder relationships, we will be clear about the Terms of Reference and clearly define our role. Our arrangements will recognise that different sections of the community have different priorities and establish robust processes for dealing with these competing demands.

Engaging with individual citizens and service users effectively

Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.

We have a Customer Service Strategy which will define how we will engage with customers and other stakeholders and involve them in improving our services.

Encourage collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs.

We have a Customer Service Strategy which will define how we will engage with customers and other stakeholders and involve them in improving our services.

We will carry out an annual survey of staff to understand their views on how we deliver services.

Implementing effective feedback mechanisms in order to demonstrate how views have been taken into account.

We will publish an annual report giving information on the Council's vision, strategy, plans and financial statements as well as information about outcomes, achievements and how they relate to stakeholders input.

Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity.

We will assess the feedback from all groups and develop a balanced approach to delivering improvements.

Taking account of the interests of future generations of tax payers and service users to ensure intergenerational equity.

We will strive to engage with citizens and service users of all ages to understand their expectation for future service delivery.

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

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

Defining outcomes

Having a clear vision and agreed formal statement of the Council's purpose and intended outcomes containing appropriate performance indicators, which provide the basis for the Council's overall strategy, planning and other decisions.

We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.

We will identify and monitor service performance indicators which demonstrate how the quality of service for users is to be measured. This will include a phased introduction of an effective data collection system for all priority services.

Specifying the intended impact on, or changes for, stakeholders including individual citizens and service users. It could be immediately or over the course of a year or longer.

We will make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning. This will include future service issues and changes to service delivery.

Delivering defined outcomes on a sustainable basis within the resources that will be available.

We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.

We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.

Identifying and managing risks to the achievement of outcomes.

The Council has an effective risk management system which is regularly reviewed by Senior Managers and monitored by the Audit Committee.

Managing service user's expectations effectively with regard to determining priorities and making the best use of the resources available.

We will clearly define the level of service that we provide in the Customer Services Strategy.

Sustainable economic, social and environmental benefits

Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.

One of the key drivers in the Customer Service Strategy is ensuring all customers are treated consistently and fairly.

We will assess the equalities risks relating to decisions and provide Members with the outputs from those assessments.

Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the authority's intended outcomes and short-term factors such as the political cycle or financial constraints.

The Council takes longer term view and publishes these so the public are aware of our intended outcomes. This information can be found published documents including the Budget Strategy, the Council's Priorities and the Council Plan.

We publish an annual report on a timely basis to communicate the Council's activities and achievements, its financial position and performance.

Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade offs.

The Council consults the public on significant financial choices including the Budget Strategy and the Annual Budget.

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

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

Determining interventions

Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and associated risks. Therefore, ensuring best value is achieved however services are provided.

We make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.

We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes.

We ensure that budget calculations are robust and reserves are adequate.

Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.

We will strive to engage with citizens and service users of all ages to understand their expectation for future service delivery.

We ensure that there are effective arrangements in place to monitor service delivery.

We put in place effective arrangements to deal with a failure in service delivery and explore options for improving service delivery and outcomes for our citizens.

Planning interventions

Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.

We make a clear statement of the Council's purpose and vision and use it as a basis for corporate and service planning.

We provide Senior Managers and Members with timely financial and performance information.

We align financial and performance data to provide an overall understanding of impacts and outcomes.

Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.

We publish financial and performance information.

We will strive to engage with citizens and service users of all ages to understand their expectation for future service delivery.

Considering and monitoring risks facing each partner when working collaboratively, including shared risks.

We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes. We work with our contractors to understand our shared risks.

Ensuring arrangements are flexible and agile so that the mechanisms for delivering goods and services can be adapted to changing circumstances.

We have prepared contingency arrangements including a disaster recovery plan, business continuity plan and arrangements for delivering services during adverse weather conditions.

Establishing appropriate key performance indicators as part of the planning process in order to identify how the performance of services and projects is to be measured.

Local Code of Corporate Governance 2017

We provide Senior Managers and Members with timely financial and performance information.

We align financial and performance data to provide an overall understanding of impacts and outcomes.

Ensuring capacity exists to generate the information required to review service quality regularly.

Individual departments are responsible for reviewing service delivery on a regular basis and there is a process for increasing capacity via Management Board.

Preparing budgets in accordance with objectives, strategies and the Medium Term Financial Plan.

We ensure that budget calculations are robust and reserves are adequate.

We ensure compliance with the CIPFA codes regarding a Prudential Framework for Capital Finance and Treasury Management.

Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.

We produce a Medium Term Financial Plan and a Budget Strategy which articulates our projected expenditure.

Optimising achievement of intended outcomes

Ensuring the Medium Term Financial Strategy integrates and balances service priorities, affordability and other resource constraints.

We produce a Medium Term Financial Plan and a Budget Strategy which articulates our projected expenditure.

We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.

Ensuring the budgeting process is all-inclusive, taking into accounts the full cost of operations over the medium and longer term.

We maintain a prudential financial framework, balance commitments with available resources; and monitor income and expenditure levels to ensure this balance is achieved.

Ensuring the Medium Term Financial Strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.

The Medium Term Financial Strategy is developed to support the Council's Plan and priorities.

Ensuring the achievement of 'social value' through service planning and commissioning.

The Council strives to achieve social values by specifying its inclusion in the contract tendering process.

E: Developing the capacity of the Council including the capability of its Leadership and the individuals within it

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

Developing the entity's capacity

Reviewing operations, performance and use of assets on a regular basis to ensure their continuing effectiveness.

We will review the requirements of the roles and assess the skills required by Officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.

We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

We will ensure that the statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.

Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how resources are allocated so that defined outcomes are achieved effectively and efficiently.

Local Code of Corporate Governance 2017

The Council has produced a Workforce Strategy which supports fostering a culture of continuous improvement by embedding transformation and service redesign within the performance management framework of the Council.

Recognising the benefits of partnerships and collaborative working where added value can be achieved.

The Council has produced a Workforce Strategy which supports fostering a culture of continuous improvement by embedding transformation and service redesign within the performance management framework of the Council.

Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources.

The Council has produced a Workforce Strategy which supports fostering a culture of continuous improvement by embedding transformation and service redesign within the performance management framework of the Council.

Developing the capability of the entity's Leadership and other individuals

Developing protocols to ensure that elected and appointed Leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.

We have developed protocols to ensure effective communication between Council Members and Officers in their respective roles.

Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.

Through the Constitution we have set out a clear statement of the respective roles and responsibilities of the Council's Executive Committee and the Members individually.

We have determined a scheme of delegated and reserved powers within the Constitution and ensure that the scheme is monitored and updated when required.

We have set out a clear statement of the respective roles and responsibilities of the Council's other committees and Senior Officers.

Ensuring the Leader and the Executive Director have clearly defined and distinctive Leadership roles within a structure whereby the Executive Director leads in implementing strategy and managing the delivery of services and other outputs set by Members and each provides a check and a balance for each other's authority.

We have developed protocols to ensure that the Leader and Executive Director negotiate their respective roles early in their relationship and that a shared understanding of roles and objectives is maintained.

We will ensure that effective management arrangements are in place at the top of the organisation.

The Executive Director is responsible and accountable to the Council for all aspects of operational management.

Developing the capabilities of Members and Senior Management to achieve effective Leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:

ensuring Members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged;

ensuring Members and Officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis; and

ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external.

We assess the skills required by Members including the understanding of financial systems. We will agree a personal development plan to develop skills and address any training gaps, to enable roles to be carried out effectively.

We will develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed.

We will ensure that the statutory Officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the Council.

Ensuring that there are structures in place to encourage public participation.

All Council meetings are open to the public and agendas are published and made available 5 days in advance of the meeting.

We will ensure that the Council as a whole is open and accessible to the community, service users and staff and we are committed to openness and transparency in all dealings. We attempt to publish all committee agenda items under Part One (unrestricted access) unless there is the need to preserve confidentiality where it is proper and appropriate to do so.

Taking steps to consider the Leadership's own effectiveness and ensuring Leaders are open to constructive feedback from peer review and inspections.

We maintain an effective Audit Committee which is independent of the executive and scrutiny function.

In 2013 we participated in an independent Peer Review exercise and welcomed the feedback we received.

Holding staff to account through regular performance reviews which take account of training or development needs.

We will review the performance and assess the skills required by Officers through the appraisal process and address any training gaps, to enable roles to be carried out effectively.

Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.

We have a number of health and well-being policies in place and provide a number of support packages in place which staff can access.

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

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

We ensure our arrangements for financial and internal control and management of risk are formally addressed within the annual governance reports.

Managing risk

Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making.

We have risk management arrangements in place including mitigating actions to support the achievement of the Council's intended outcomes. We work with our contractors to understand our shared risks.

We ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.

Implementing robust and integrated risk management arrangements and ensuring that they are working effectively.

The Council's risk register is agreed annually by the Executive Committee. The register is reviewed on a quarterly basis by Management Board and the output is reported to the Audit Committee.

Ensuring that responsibilities for managing individual risks are clearly allocated.

The responsibilities for managing risk are defined in the Council's risk policy.

Managing performance

Monitoring service delivery effectively including planning, specification, execution and independent post implementation review.

The Council has a performance management framework which was agreed by the Executive Committee and performance data is reported to Management Board and the Executive Committee on a quarterly basis.

Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook.

We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.

The Council's performance framework defines responsibilities for strategic and operational performance.

Ensuring an effective scrutiny or oversight function is in place which provides constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible.

We maintain an effective Audit Committee and scrutiny function which provide constructive challenge.

Providing Members and Senior Management with regular reports on service delivery plans and on progress towards outcome achievement.

The Council has a performance management framework which was agreed by the Executive Committee and performance data is reported to Management Board and the Executive Committee on a quarterly basis.

Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements).

We will ensure effective internal control arrangements exist for sound financial management systems and processes.

Robust internal control

Aligning the risk management strategy and policies on internal control with achieving objectives.

We will ensure that those making decisions are provided with financial and non-financial information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications.

We ensure that risk management is embedded into the culture of the Council, with Members and managers at all levels recognising that risk management is part of their job.

Evaluating and monitoring risk management and internal control on a regular basis.

We have an effective Internal Audit function which assess internal control and report to the Audit Committee on a quarterly basis.

Ensuring effective counter fraud and anti-corruption arrangements are in place.

We ensure that policies for whistle-blowing which are accessible to staff and those contracting with the Council, and arrangements for the support of whistle-blowers, are in place. We have effective counter fraud policies in place.

Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the Internal Auditor.

We have an effective Internal Audit function which assess internal control and reports to the Audit Committee on a quarterly basis.

Ensuring an Audit Committee provides:

a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment; and

that its recommendations are listened to and acted upon.

We maintain an effective Audit Committee and scrutiny function which provide constructive challenge.

Managing data

Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.

We have effective data protection and data management arrangements in place.

Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies.

We have effective data sharing agreements in place

Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.

The quality and accuracy of the data is audit by the Internal Audit function on an annual basis.

Strong public financial management

Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance.

The Council takes a longer-term view and publishes this so the public are aware of our intended outcomes. This information can be found published documents including the Budget Strategy, the Council's Priorities and the Council Plan.

The Council has prepared and published a plan which sets out the Council's priorities; a Medium Term Financial Plan which is a financial representation of the Council's Vision and supports the priorities.

We will enable the Chief Financial Officer to bring influence to bear on all material decisions and provide advice on the levels of reserves and balances to be retained.

Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.

The Section 151 Officer is responsible to the Council for ensuring that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.

We have appointed a professionally qualified and experienced Chief Financial Officer, who will lead the promotion and delivery of good financial management, safeguarding public money and ensuring appropriate, economic, efficient and effective use of funds; together with professional accountability for finance staff throughout the Council.

We provide the Chief Financial Officer with the resources, expertise and systems necessary to perform the role effectively within the Council.

G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

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

Implementing good practice in transparency

Writing and communicating reports for the public and other stakeholders in a fair, balanced and understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.

We comply with the local government transparency code and publish all required information in a timely manner.

Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.

We have put in place effective transparent and accessible arrangements for dealing with complaints. We monitor complaints and would review our transparency arrangements if the public indicated that they are too onerous.

Implementing good practices in reporting

Reporting at least annually on performance, value for money and stewardship of resources to stakeholders in a timely and understandable way.

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

Ensuring Members and Senior Management own the results reported.

The Annual Governance Statement is signed by the Chair of the Audit Committee and by the Executive Director, and is published with the Council's annual Statement of Accounts.

Ensuring robust arrangements for assessing the extent to which the principles contained in this Framework have been applied and publishing the results on this assessment, including an action plan for improvement and evidence to demonstrate good governance (the Annual Governance Statement).

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

The Annual Governance Statement is signed by the Chair of the Audit Committee and by the Executive Director, and is published with the Council's annual Statement of Accounts.

Ensuring that this Framework is applied to jointly managed or shared service organisations as appropriate.

The Council shares its values with partners through the contract tendering process.

Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other, similar organisations.

We produce clear, timely, complete and accurate information for budget holders and Senior Officers relating to the budgetary and financial performance of the Council.

Assurance and effective accountability

Ensuring that recommendations for corrective action made by external audit are acted upon.

All recommendations from external audit are considered by Senior Managers and the Audit Committee.

Ensuring an effective Internal Audit service with direct access to Members is in place, providing assurance with regard to governance arrangements and that recommendations are acted upon.

The Internal Audit functions reports to the Audit Committee on a quarterly basis and produces an annual report which states progress against previous recommendations.

Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.

The Council welcomes recommendations from external regulatory bodies.

Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement.

The risks associated with delivering services through third parties and addressed as part our risk management arrangements.

Ensuring that when working in partnership, arrangements for accountability are clear and the need for wider public accountability has been recognised and met.

The Council ensures that accountability is clear when working in partnership.

Annual Review of Corporate Governance

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

The Annual Governance Statement includes:

- Scope of responsibility
- The purpose of the governance statement
- The Council's governance framework
- Review of effectiveness
- Assurance statements
- Internal Audit's opinion of the system of internal controls
- Financial management
- Significant governance and internal control issues
- Action plan
- Certification statement

The Annual Governance Statement addresses any actions arising from the previous years' Annual Governance Statement and highlights any actions arising from the year being reviewed.

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

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

The Annual Governance Statement is signed by the Chair of the Audit Committee and by the Executive Director, and is published with the Council's annual Statement of Accounts.