

BOROUGH OF BARROW-IN-FURNESS

AUDIT COMMITTEE

Meeting, Thursday, 22nd March, 2018
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 14th December, 2017 (copy attached) (Pages 1-10).
6. Apologies for Absence/Attendance of Substitute Members.

FOR DECISION

- (D) 7. Internal Audit Annual Plan (Page 11).
- (D) 8. Internal Audit Final Reports (Pages 12-13).

- (D) 9. Internal Audit Progress Report (Page 14).
- (D) 10. Annual Audit Charter (Page 15).
- (D) 11. External Audit Annual Plan 2017-2018 (Page 16).
- (D) 12. External Audit - Certification Work (Page 17).
- (D) 13. External Audit Progress Report and Update (Page 18).
- (D) 14. Audit Committee Update (Pages 19-23).
- (D) 15. Going Concern (Pages 24-26).
- (D) 16. Accounting Policies (Pages 27-28).
- (D) 17. Audit Committee Assurance (Page 29).
- (D) 18. Audit Committee Work Plan (Page 30).
- (D) 19. Code of Corporate Governance (Pages 31).
- (D) 20. Monitoring Internal Audit Reports (Pages 32-33).
- (D) 21. Risk Management (Page 34).

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

Membership of Committee

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

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AUDIT COMMITTEE

Meeting Thursday 14th December, 2017
at 2.00 p.m.

PRESENT:- Councillors Burns (Chairman), Seward (Vice-Chair), Blezard, Gawne and Murray.

Officers Present:- Susan Roberts (Director of Resources), Keith Jackson (Internal Audit Manager), 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 Gareth Kelly and Neil Krajewski from Grant Thornton.

28 – Declarations of Interest

Councillor Burns declared an interest in Agenda Item No. 14 – Audit Committee Update as she was a Cumbria County Council Cabinet Member for Children's Services.

29 – Minutes

The Minutes of the meeting held on 21st September, 2017 were taken as read and confirmed.

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 seven final reports appended for consideration. The reports included and their assurance level were as follows:-

- Treasury Management – Substantial Assurance
- Internet and Email Controls – Substantial Assurance
- IT General Controls – Substantial Assurance
- Rawlinson Street Group Repair – Restricted Assurance
- High Level Electrical Repairs and Festive Lighting – Restricted Assurance
- Electrical Reactive Repairs and Maintenance – Restricted Assurance
- Crematorium and Cemetery Office – Restricted Assurance

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

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

(ii) To request the Director of Resources draft a letter on behalf of the Audit Committee informing Departmental Manager's of their duty in ensuring the Contract Management Checklist was promptly completed.

31 – Internal Audit Progress Report

The Director of Resources reported that the Internal Audit Progress report for the period 1st April, 2017 to 1st December, 2017 had been produced by the Internal Audit Manager and presented the progress against the agreed Internal Audit Annual Plan.

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

There had been twelve Priority One recommendations since the previous Audit Committee.

The report contained a statistical summary of the number of audit recommendations (45). It was noted that 44 recommendations had been Fully Accepted and one recommendation had been Partly Accepted. Each of the recommendations had been assigned a Priority Grade 1 - 3, 1 being major issues and 3 being minor issues. 15 had been rated Priority 1, 24 had been rated Priority 2 and 6 had been rated Priority 3.

The Internal Audit Manager reported that the Fraud Hotline was a well used service and presented the following statistics to Members.

	Revenues/ Benefit related	Staff Related	Other	Total
2017/18 (April – December)	22	1	7	30
2016/17 (Full Year)	54	3	3	60

The 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		2017/18
1	Percentage of Draft reports issued within 10 works days of completion of audit fieldwork.	100%
2	Percentage of Management Responses received within 20 working days of issue of the Draft report.	89%
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%

RESOLVED:- That the report be received.

32 – Monitoring Internal Audit Reports

The Corporate Support Manager submitted a report updating Members on the implementation of recommendations from Internal Audit reports where the Audit Conclusion was Restricted Assurance.

Internal Audit undertook reviews of Council's systems as defined in the Annual Audit Plan. The audit conclusion may be Restricted Assurance where significant weaknesses were identified. This had replaced monitoring of Priority 1 Recommendations because the Audit Conclusion may also be Restricted Assurance if there were a significant number of important issues.

At the last meeting of this Committee there were eight Audit Reports where the Audit Conclusion was Restricted Assurance. Many of the issues were related to contracts and procurement and Management Board agreed an action plan to deliver improvements:

- The progress against individual contract checklists was being monitored electronically;
- An informal support group consisting of Internal Audit and the Procurement Officer would be established so that if managers cannot comply with procurement rules they could seek advice as to what steps to take and what documentation was required to support the deviation; this should be documented;
- The Purchasing Procedure would be amended so that all procurements over £25,000 required input from the Procurement Officer to ensure compliance with the Purchasing Guide. The Chest should be used for procurement where appropriate; the Procurement Officer should decide on the appropriateness;
- The Purchasing Procedure had been amended to state that the threshold limits in the guide applied to orders in a 12 month period. The Internal Audit Manager to be invited to Contract Working Group meetings on an exceptions basis to assist in resolving complex matters; and
- Senior Managers would monitor the implementation of agreed recommendations through regular one to one meetings or the appraisal process.

Robust arrangements for monitoring the use of leased vehicles had been implemented and although the vehicle tracking and drivers identification devices had not yet been fitted it was anticipated that this would be completed in Quarter 4.

Other issues related to previous recommendations not being implemented. The Corporate Support Manager would actively monitor the implementation of these recommendations and provide updates on an exceptions basis.

A more detailed list of progress was attached as an appendix to the report.

RESOLVED:- That the report be received.

33 – Risk Management

The Corporate Support Manager attached as an appendix to his report the Risk Registers for 2017/18.

The Risk Registers had been presented to this Committee on 21st September, 2017 and no changes had been made.

The Risk Registers would be presented to Management Board at their meeting on 20th December, 2017 and any changes would be reported to the next meeting of this Committee.

The Risk Management Policy had been reviewed and had been agreed by the Executive Committee at their meeting on 18th October, 2017.

RESOLVED:- To note the report.

34 – Annual Audit Letter for the year ended 31/3/2017

The External Auditors presented the Annual Audit Letter for the year ended 31st March, 2017. 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, 2017.

- Financial Statements;
- Audit (including Audit Opinion);
- Audit Fee
- Value for Money;
- Certification of Grants; 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, 2017 and its income and expenditure for the year; and

- An unqualified opinion in respect of the Council's arrangements for securing the economy, efficiency and effectiveness in its use of resources for the year ending 31st March, 2017.

The key issues from the Audit of Accounts had been presented to the Audit Committee on 21st September, 2017. Two adjustments to the Primary Statements which impacted on the Council's reported surplus for the years were agreed with Management and six other adjustments identified were amended by Management.

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

35 – External Audit Progress Report and Update

The External Auditors had produced a progress and update report to Members. The report provided the Committee with details of the Auditor's 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 1st December, 2017 had been presented as follows:-

2017/18 Deliverables	Planned Date	Status
Fee Letter	April 2017	Complete
Confirming audit fee for 2017/18.		
Accounts Audit Plan	January 2018	Not yet due
We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.		
Interim Audit Findings	March 2018	Not yet due
We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.		
Audit Findings Report	July 2018	Not yet due
The Audit Findings Report will be reported to the July Audit Committee.		
Auditors Report	July 2018	Not yet due
This is the opinion on your financial statement, annual governance statement and value for money conclusion.		
Annual Audit Letter	August 2018	Not yet due
This letter communicates the key issues arising from our work.		

2017/18 Deliverables	Planned Date	Status
Annual Certification Letter	December 2018	Not yet due

This letter reports any matters arising from our certification work carried out under the PSAA contract.

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.

36 – Barrow Playing Field User Association

The Director of Resources provided a report updating Members on the Barrow Playing Field User Association.

The Barrow Playing Field User Association had administered the grass recreation areas at Ormsgill Playing Fields, Hawcoat Youth Fields and Walney Playing Fields (Biggar Bank), on behalf of the Council since 1992.

The organisation structure consisted of four members that included representation from the local leagues, the Barrow and District Junior League and the Furness Premier League. The leagues formulated fixtures and these were passed onto the Association and this was how pitches were booked, with games played on weekends and selective evenings during the course of the year.

The Barrow and District Junior league operated on a Saturday morning from September to May and selective evenings from April to September. Presently, this season, 14 different clubs across various age groups had used the facilities in order to play home games. The league also operated a girls/ladies section with 5 member clubs playing on selective Sundays and evenings on a 12 month basis.

The Furness Premier League operated on Saturday afternoon from August to May and evenings in April, May and August. At present 7 different senior clubs used the facilities for home matches.

The Association did not appoint officials and the grass cutting contract was contracted to Continental Landscapes directly by the Council.

The Council supported these activities and recognised that they complement Council Plan Priority 3 – closing the gap on health inequalities.

RESOLVED:- To note the report.

37 – Audit Committee Update

The Director of Resources submitted a report providing an update on Finance and Governance related issues.

Budget Strategy

The Budget Strategy proposals for 2017-2018 were included in the General Fund revenue budget. The current position for each of the areas identified proposals was presented in the table below:

Savings area	Strategy target	Current saving
Major contract renewals <ul style="list-style-type: none"> • Street cleansing contract awarded • Revenues, Benefits and Customer Services saving for 2018-2019 • Internal Audit service insourced 	£1.02m	£0.40m
Leisure <ul style="list-style-type: none"> • Leisure Centre outsourcing saving for 2018-2019 • The Forum review saving for 2018-2019 	£0.49m	-
Treasury <ul style="list-style-type: none"> • Provision to repay debt rescheduled 2016-2017 	£0.26m	£0.31m
Burials and Cremations <ul style="list-style-type: none"> • Charging policy implemented 1st April 2017 	£0.25m	£0.20m
Ring-fenced Properties <ul style="list-style-type: none"> • Both properties brought into General Fund 2016-2017 	£0.15m	£0.03m
Dock Museum <ul style="list-style-type: none"> • Recoverable charges implemented 2016-2017 • Other efficiencies to follow 	£0.05m	£0.03m
Commercial Estate <ul style="list-style-type: none"> • Additional rental income and associated reduction in NNDR 	£0.05m	-
Kennels <ul style="list-style-type: none"> • Service provision under review 	£0.03m	-
Playgrounds <ul style="list-style-type: none"> • Review of service delivery 2016-2017 • Application of Playgrounds Policy 2017-2018 	£0.03m	Not yet available
Allotments <ul style="list-style-type: none"> • Charging policy implemented 1st April 2017 • Grounds maintenance and repair costs reviewed 	£0.03m	£0.01m
Barrow Park <ul style="list-style-type: none"> • Boating service subsidy removed • Use of the Pavilion and other efficiencies to follow 	£0.03m	£0.01m

Savings area	Strategy target	Current saving
Conveniences <ul style="list-style-type: none"> • New arrangements in place for 2017-2018 	£0.01m	Not yet available
Total	£2.40m	£0.99m

The medium term funding gap increased to £2.7m following the changes to the New Homes Bonus with the financial settlement in 2017-2018. The medium term finances would be revised following the formation of the 2018-2019 budget.

Housing Revenue Account

The medium term funding gap for the Housing Revenue Account (HRA) was £500k. The HRA was limited in terms of scope for cost reductions and very limited in the scope to generate income.

There was a Housing Services Review Working Group (Officers, Members and a Tenant representation) identifying and assessing areas for saving. At the Housing Management Forum on 2nd November, 2017, it was reported that £264k had been identified and should be included in the proposed revenue budget.

There were a couple of areas outside of this saving that the Director of Resources was reviewing with the Assistant Director - Housing, but these may not achieve the £500k required.

Once the budget proposals were complete, the savings package would be incorporated into the HRA medium term finances.

The current proposals were:

- £57k from general expenses;
- £100k from staffing – an establishment review was underway; and
- £107k from maintenance – reductions in non-dwelling headings

Closure of Accounts 2017-2018

On 15th November, 2017 the Council and the External Auditors had a meeting to reflect on the 2016-2017 Accounts and highlighted any lessons learned for the shorter closedown period for 2017-2018.

The key themes from the meeting were:

- Communication – this was felt to be good but the Council must work closely with the External Auditors before and during the closedown of the audit to achieve the deadlines;
- File sharing – explore Sharefile as an electronic tool to share working papers as this was also available off-site;
- Availability – sharing the availability of key staff both during the closedown and the audit;

- Issues log – for questions or queries raised and answered; a common reference number would be used and working papers cross-referenced;
- Interim work – sampling at the interim stage would be maximised; and
- External valuations – include External Audit in the engagement meeting

The particular issues to address for 2017-2018 were the accounting of embedded lease vehicles and the review of high value assets. The Council had retained the services of Lambert Smith Hampton for asset valuations.

Once the 2018-2019 budget process had reached a final draft, work on the timetable and tasks for closing 2017-2018 would begin.

Business Rate Retention Pilot Pool

The Council was currently a member of the Cumbria Business Rates Pool. This enabled the County to retain additional business rate income which contributed to balancing revenue budgets. Each year the members of the Pool had to consider the risks and rewards of the Pool and consider whether the Pool should continue. The decision on membership of the pool was delegated to the Director of Resources.

From April 2020 the Government was intending to introduce 100% retention of business rates which would see the replacement of Revenue Support Grant and Rural Services Delivery Grant funded by the 50% of business rates currently paid to Government. Adjustments would be made to tariffs and top-ups to equalise nationally the amount of business rates retained compared to need and ability to generate income from Council Tax.

Cumbrian Authorities had worked together to assess the feasibility and desirability of a pilot for Cumbria. Overall it was estimated that there would be additional income retained by Cumbrian authorities compared to the current arrangements but the actual amount would be dependent upon the level of business rate income for 2018-2019 and was therefore not certain. Initial estimates suggested the additional income could be between £1.1m and £9m.

The Cumbria bid had been submitted to Government and the successful pilots would be announced with the financial settlement later in December 2017.

Audit of Housing Benefit Subsidy

The audit of the Housing Benefit subsidy from April 2018 was separate from the main audit service procured through the Public Sector Audit Appointment sector-led body approach. The Council had the option of procuring this service in conjunction with other authorities or appointing alone. These arrangements would be in place by the next meeting and would be dealt with through the Executive Committee. The Director of Resources would ensure that the principals of value for money were applied to the procurement of these services.

The 2016-2017 DWP claim was subject to a Qualification Letter which was agreed between the Council and the External Auditor ahead of the claim deadline. The DWP and the Director of Resources exchanged the required letters, ultimately resulting in the claim being closed on 28th November (deadline was 30th November) with no extra testing required. These claims had remained open into March/April in previous years and working to an agreed process between the Council and the External Auditor had facilitated a smoother claim audit process.

Care Leavers Council Tax Exemption

The Council was currently working on a Cumbria-wide policy to provide Council Tax exemption to care leavers. The exact policy was not yet available, but in principle recognised that young people leaving care were unlikely to have the support that families or extended families could provide when becoming financially independent. It was recognised that care leavers needed additional support which may not be met by Council Tax Support or other schemes. The Policy would come to Members through the Executive Committee to Full Council for resolution. It was anticipated that the Policy would be introduced from April 2018.

RESOLVED:- To receive the report.

The meeting closed at 3.10 p.m.

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 7
Date of Meeting:	22nd March, 2018	
Reporting Officer:	Head of Internal Audit	
<p>Title: Internal Audit Annual Plan 2017-2018</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Annual Plan for 2018-2019 has been produced and is based on the risks associated with the Council's operations.</p> <p>Recommendations:</p> <p>To receive and consider the Internal Audit Annual Plan for 2018-2019.</p>		

Report

The Internal Audit Annual Plan for 2018-2019, including a note of the housing benefit testing, is detailed at **Appendix 1**.

Members are recommended to receive and consider the Internal Audit Annual Plan for 2018-2019.

Background Papers

Nil

BARROW BOROUGH COUNCIL
INTERNAL AUDIT ANNUAL PLAN 2018/19

Audit	Significance Band	Division	Days
Contract Audit	1	All Divisions	90
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) (Potential 2 reviews)	1	Revenues & Benefits	15
Council Tax & Council Tax Support (Potential 2 reviews)	1	Revenues & Benefits	25
Housing Benefits (Potential 2 reviews)	1	Revenues & Benefits	25
Procurement (inc. Ordering)	2	All Divisions	7
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	45
Housing Rents - System Review	2	Housing	20
IT AUDIT			
Specific IT Audits inc. implementation review	1		25
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	25
DESIGNATED ANNUAL AUDIT ACTIVITY			
Cash Floats/Receipting Controls	-		10
Community Organisations (inc. Mayor's Account)	-		15
Financial/Account Reviews	-		15
Fraud Hotline	-		6
Funding Checks/Grant Claims	-		6
Implementation Review	-		10
NFI Responsibilities	-		20
Probity	-		25
AUDIT MANAGEMENT			
Audit Administration	-		15
Audit Committee	-		8
Audit Management/Planning/Reporting	-		15
External Audit Liaison	-		2
Plan days			555
Benefit Certification Testing	-		175
TOTAL AUDIT DAYS			730

		Part One
AUDIT COMMITTEE		(D) Agenda Item 8
Date of Meeting:	22nd March, 2018	
Reporting Officer:	Head of Internal Audit	
<p>Title: Internal Audit Final Reports</p> <p>Summary and Conclusions:</p> <p>Internal Audit performs audits in accordance with the approved Annual Plan. The final reports completed since the last meeting of this Committee are presented in this report.</p> <p>Recommendations:</p> <p>To receive the Internal Audit final reports and raise any questions.</p>		

Report

There are seven final reports for consideration by Members:

- Council Tax and Council Tax Support; **Appendix 2**
- National Non Domestic Rates; **Appendix 3**
- Budgetary Control; **Appendix 4**
- Car Park Meter Income; **Appendix 5**
- Accounts Payable; **Appendix 6**
- Procurement; **Appendix 7**

Contract Audits

- Town Hall Ground Floor Alterations; **Appendix 8**

Members are recommended to receive the Internal Audit final reports and raise any questions.

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 17-03
COUNCIL TAX AND COUNCIL TAX SUPPORT

Executive Summary

Introduction

The Authority's Council Tax service is administered by Liberata, using the Northgate iWorld system, as part of a long term contract awarded in 1998. The gross Council Tax liability for 2017/18 is approximately £44.2m, which relates to 33,519 properties.

The Department for Communities and Local Government has outlined the basis of Localising Support for Council Tax, requiring billing authorities to adopt a Council Tax Reduction Scheme to replace the Council Tax Benefit System which ended on 31st March 2013. The Council adopted the Government's prescribed default scheme from 1st April 2013, which is broadly similar to the previous Council Tax benefits scheme in terms of who receives benefit, when and how. The scheme is required to be set annually and approved by Members, the scheme for 2017/18 was approved by Council on 17th January 2017.

Audit Objectives

An audit of this system forms part of the agreed 2017/18 programme. The audit objectives were to evaluate and test the internal controls over the Council Tax system. The scope and objectives of the audit were discussed and agreed in advance with the Senior Revenues Technician and the Liberata Service Team Leader.

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

Key Points
Substantial Assurance
Five important issues
One minor issue

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 five Priority 2 recommendations, which concern Liberata ensuring:

- for the annual billing run, sufficient evidence of the reconciliation of bills produced and bills posted is retained;
- for Council Tax exemptions, that review forms are issued in accordance with the timetable and appropriate follow up action is taken when review forms are not returned;
- appropriate recovery action is taken for all accounts in arrears;
- all claims for Council Tax Support are properly determined; and

- all new claims are determined on a timely basis.

In addition, we have made one Priority 3 recommendation which relates to Liberata ensuring Council Tax Suspense Account reconciliations are performed on a regular and timely basis.

Internal Audit also reviewed one recommendation made in the previous audit report 16-03, dated December 2016. The recommendation has been implemented.

Management Response

We have received a constructive management response from the Recovery Manager and the Liberata Service Team 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 17-04
NATIONAL NON DOMESTIC RATES

Executive Summary

Introduction

The Council's National Non Domestic Rates (NNDR) service is administered by Liberata, using the Northgate iWorld system, as part of a long term contract awarded in 1998. The total rateable value for the 2,328 non-domestic properties in the Borough is around £52m, which produces a gross liability of £25m for the financial year 2017/18.

Audit Objectives

An audit of this system forms part of the agreed 2017/18 programme. The audit objectives were to review the internal controls over the National Non Domestic Rates system. The scope and objectives of the audit were discussed and agreed in advance with the Senior Revenues Technician.

Key Points
Substantial Assurance
One minor issue

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

Audit Conclusion – *Substantial Assurance*

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

- ensuring that NNDR Suspense Account reconciliations are performed on a regular and timely basis.

Internal Audit reviewed the two recommendations from report 16-04, dated January 2016. One has been overtaken by events and one has been implemented.

Management Response

We have received a constructive management response from the Recovery 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 17-10
BUDGETARY CONTROL

Executive Summary

Introduction

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

Budget and actual transactions are recorded and controlled at cost centre level via the Council's Oracle Financial System. Approved headline budgets for the financial year 2017/18 total:

- General Fund Revenue - £9,729,940
- Capital Programme - £5,184,564
- Housing Revenue Account expenditure/income - £9,208,330/£11,687,290.

Audit Objectives

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

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

Key Points
Unqualified Assurance
No Recommendations

Audit Conclusion – *Unqualified Assurance*

As a result of the audit we have concluded that there is a basically sound system of control, and as such we have not raised any new recommendations.

Management Response

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

Acknowledgement

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

BARROW BOROUGH COUNCIL
INTERNAL AUDIT FINAL REPORT 17-12
CAR PARK METER INCOME

Executive Summary

Introduction

The Council's Parking Services Department is responsible for the collection of income from car park pay and display machines within the Borough. There are currently 22 machines, from which total income received during 2016/17 was £599k, net of VAT. As an alternative to cash payment for parking, users can pay with a debit or credit card using the "RingGo" mobile phone facility.

The Department was restructured following the transfer of responsibility for on-street parking enforcement to Cumbria County Council. It now operates with fewer staff and re-arranged cash collection duties.

Audit Objectives

An audit of this system forms part of the agreed 2017/18 programme. The audit objectives were to evaluate and test the internal controls over the car park machine income process. The scope and objectives of the audit were discussed and agreed in advance with the Car Parks and Admin Services Manager.

Key Points
<p>Substantial Assurance</p> <p>Four Previous recommendations</p>

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

Audit Conclusion – *Substantial Assurance*

As a result of the audit, we have not made any new recommendations, however, a number of recommendations from previous audits remain outstanding.

Internal Audit reviewed the eleven agreed recommendations made in audit report 16-12, dated June 2017. Nine of the recommendations have been implemented; however, two recommendations remain outstanding, which relate to:

- reviewing the pricing information boards at all pay and display car parks within the Borough to confirm that the correct and up to date pricing structures are displayed. (Priority 2); and
- ensuring that the record of incidental cash brought in by CEOs is completed on a timely basis. (Priority 3)

In addition, Internal Audit reviewed the two outstanding agreed recommendations made in audit report 15-12, dated June 2015. One has been implemented; however, one recommendation remains outstanding and concerns:

- ensuring that the 'Car Parks Ticket Machine Income' sheet is consistently checked and signed by the Car Parks and Admin Services Manager. (Priority 3)

Internal Audit also reviewed the outstanding agreed recommendation made in audit report 14-12, dated May 2014. The recommendation remains outstanding and concerns:

- ensuring that the receipts for the number of cash boxes received are accurately completed. (Priority 3)

Management Response

We have received a constructive management response from the Car Parks and Admin Services Manager, providing an updated response to the previous 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 17-18
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 5,113 suppliers; the following payments were made in the period up to 4th December 2017:

	Number	Amount (£000)
Suppliers	3,486	19,083
Rent Allowances	13,638	8,092
Council Tax & Business Rate Refunds	1,351	896
Housing Rent Refunds	129	44

Audit Objectives

An audit of this system forms part of the agreed 2017/18 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
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.

We have made no new recommendations as a result of this audit.

Internal Audit reviewed the agreed recommendations made in Audit Report 16-18, dated February 2017. One recommendation has been implemented; however, one recommendation remains partially outstanding and concerns ensuring:

- the schedule of Direct Debits is accurate, complete and consistently maintained. (Priority 2).

In addition, Internal Audit reviewed the agreed recommendations made in Audit Report 15-18, dated December 2015. One recommendation remains outstanding and concerns:

- ensuring all supplier invoices are checked against purchase orders and that this check is evidenced. (Priority 2).

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, providing an updated response to the previous 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 17-17
PROCUREMENT

Executive Summary

Introduction

The Council's Contract Standing Orders and Purchasing Procedure govern procurements valued above and below £100,000 respectively. The Procedure states that the Council has adopted the principle that it "aims to deliver value for money when procuring goods, services and supplies. This is balanced with consideration to sustainability, the local economy and fair competition to all providers."

This review examined procurement arrangements which would be covered by the Purchasing Procedure, i.e. those below £100,000. The Council uses framework agreements mainly obtained through competitive tendering where possible, while other supplies require differing numbers of quotations to be obtained, depending on their value. The Government has expressed a close interest in spending by local government, with its "financial transparency" initiative requiring the publication of all payments over £500 each month.

The Finance Department manages the ordering processes using the Oracle Financials system and the Council's Purchasing Procedure was last updated in September 2017. To assist with this review the Corporate Officer has acted to obtain supporting information during the latter stages of the audit.

Audit Objectives

An audit of this system forms part of the agreed 2017/18 programme. The audit objectives were to evaluate and test controls relating to the Purchasing Procedure and ordering systems, particularly compliance with relevant competition requirements. The scope and objectives of the audit were discussed in advance with Corporate Services and Financial Services.

Key Points
Restricted Assurance
Four previous recommendations
(Three Priority 1 and One Priority 2)

Audit Conclusion – *Restricted Assurance*

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

We have not made any new recommendations, however, we identified that the Priority 1 recommendation which was raised in last year's audit remains outstanding. The recommendation refers to officers ensuring that all relevant supporting documentation relating to procurements are retained and are readily available for inspection to confirm compliance with the Council's purchasing procedures. (For the second

consecutive year documentation was not made available by the Streetcare division. In addition two further departments did not provide the requested information for over a month).

Internal Audit reviewed the remaining three agreed recommendations made in Audit Report 16-17, dated June 2017. All recommendations have been implemented.

Internal Audit reviewed the five agreed recommendations made in Audit Report 15-17, dated September 2016. Two recommendations have been implemented and three recommendations remains outstanding, which relate to:

- ensuring that procurements/purchases are consistently made in accordance with the competition requirements of its Purchasing Procedure (Priority 1);
- ensuring that correctly authorised official purchase orders are issued for all relevant supplies in accordance with the Authority's procedures (Priority 1); and
- giving consideration to performing a regular review of total annual payments to suppliers in order to identify whether Contract Standing Orders should have been followed in specific instances (Priority 2).

Internal Audit also reviewed the one outstanding recommendation made in Audit Report 11-18, dated June 2012. The recommendation has been implemented.

Management Response

We have received a constructive management response from the Director of Resources, providing an update on the previous 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 CR95
BARROW TOWN HALL GROUND FLOOR ALTERATIONS
AND REFURBISHMENTS

Executive Summary

Introduction

This contract relates to internal alterations to parts of the Town Hall's ground floor, in order to accommodate the Housing Department's relocation from Cavendish House. Tenders were invited from four contractors who all responded. The contract was awarded to the lowest tenderer, Cox and Allen (Kendal) Limited; following a detailed review of the firm's tender, the contract was signed in the sum of £211,000.00. Chris Bugler Architects Limited was appointed as architect for the scheme, with Richard Coates as quantity surveyor.

The final account submitted by the contractor totalled £174,810.18.

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
Restricted Assurance
One major issue
Eleven important issues

Audit Conclusion – *Restricted Assurance*

As a result of the audit we have concluded that a number of weaknesses have been identified in the system of control, which may put some of the system objectives at risk. We have made one Priority 1 recommendation, which relates to the Assistant Director (Regeneration & Built Environment) ensuring payment of the Final Account to contractors is not made until clearance is received from Internal Audit, as required by the Council's Contract Standing Orders and Financial Regulations. In addition, we have made nine Priority 2 recommendations, which relate to the Assistant Director (Regeneration & Built Environment):

- ensuring payments to contractors are only made upon receipt of properly authorised valuation certificates; and recovering the overpayment of £4,114.31 (+ VAT) paid to the contractor;
- ensuring all variations to the contract are properly authorised and evidenced;
- explaining the inclusion of "provisional sums" within the Final Account;

- confirming that damages are not due from the contractor due to a delay in completion of the work, as covered within the conditions of contract;
- ensuring the documentation relating to tender evaluations is clear and transparent and that the results are reported accurately to Members;
- ensuring that future procurements of consultancy services comply with the requirements of the Council's Purchasing Procedure and Contract Standing Orders, specifically by:
 - appointing the consultant submitting the best price for the supply, or seeking approval to a specialist supply at a higher price; and
 - informing all consultants that they must comply with Contract Standing Orders and Financial Regulations;
- ensuring that the requirements of Contract Standing Orders are included fully in contract documentation;
- ensuring that the contract management checklist is completed fully and submitted promptly for review at each stage of a project's progress;
- giving consideration to producing a Project Review Report for this contract, as required by the Contract Standing Orders in place at the time of contract delivery.

We have made two further Priority 2 recommendations which concern:

- the Council considering procedures to encourage wider competition for its tendered works in order to demonstrate openness and transparency; and
- the Democratic Services Manager ensuring that procedures for the receipt and recording of tenders are followed consistently.

Management Response

We have received a constructive management response from the Director of Resources, the Democratic Services Manager and the Assistant Director (Regeneration and Built Environment), accepting each of the recommendations.

Acknowledgement

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

CONTRACT PARTICULARS

Contract Title:	Barrow Town Hall, Ground Floor Alterations and Refurbishment
Form of Contract:	JCT Minor Works Building Contract with contractor's design 2011
Contractor:	Cox and Allen (Kendal) Limited
Consultants:	
CDM Co-ordinator	Baker Mallett Limited
Architect	Chris Bugler Architects Limited
Quantity Surveyor	Richard Coates
Structural Engineer	Bleasdale Wand Limited
Tender Sum:	£252,761.00
Contract Sum:	£211,000.00
Date for Possession:	14 July 2014
Date for Completion:	3 October 2014
Date of Practical Completion:	30 October 2014
Extension of Time Granted:	2 weeks
Delay in Completion:	2 weeks
Liquidated and Ascertained Damages provision/required:	£500 per week
Minimum Insurance Cover and Actual Insurance Cover Confirmed	£10m Employer's Liability £5m Public Liability
Minimum Bond Required and Obtained	£21,000
Retention Amount	2.5% from final cost of works
Latest Contract Valuation:	£211,000.00
Anticipated Final Account Sum:	£174,810.18
Percentage increase/decrease: Latest Valuation against Contract Sum	-17.5%

AUDIT COMMITTEE	(D) Agenda Item 9
Date of Meeting: 22nd March, 2018	
Reporting Officer: Head of Internal Audit	
Title: Internal Audit Progress Report	
Summary and Conclusions:	
The Internal Audit Progress report covering the period 1st April, 2017 to 9th March, 2018 has been produced.	
Recommendations:	
To receive the Internal Audit Progress report and raise any questions.	

Report

The Internal Audit Progress Report for the period 1st April, 2017 to 9th March, 2018 is detailed at **Appendix 9**.

Members are recommended to receive the Internal Audit Progress report and raise any questions.

Background Papers

Nil

BARROW BOROUGH COUNCIL

INTERNAL AUDIT PROGRESS REPORT

April 2017 to March 2018

2017/18

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EXECUTIVE SUMMARY

Purpose

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

- Internal Audit work performed up to 9th March 2018, 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 2017 and 9th March 2018. 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 11th March 2018; analysed by their priority, including whether accepted by management.

Recommendations	Total	Priority 1	Priority 2	Priority 3
Made	64	16	40	8
Fully Accepted	63	16	39	8
Partly Accepted	1	-	1	-
Not Accepted	0	-	-	-

2. ACCEPTED PRIORITY 1 RECOMMENDATIONS

There has been one Priority One recommendation made since the previous Audit Committee, which relates to the following:

Audit Report	CR 95 Town Hall Ground Floor Alterations and Refurbishments
Recommendation	The Assistant Director (Regeneration and Built Environment) should ensure that payment of the Final Account to contractors is not made until clearance is received from Internal Audit, as required by the Council's Contract Standing Orders and Financial Regulations.
Rationale	<p>Contract Standing Orders state "Contracts are subject to review in accordance with Financial Regulations section 19. This includes the completion of the Contract Management Checklist and Internal Audit stage checks and clearance of the final account prior to payment where appropriate".</p> <p>Internal Audit were not provided with a Contract Management Checklist for Stage 5 (Final Account) of this contract; which is a requirement of Contract Standing Orders.</p> <p>The documentation required to complete the audit was not received until February 2017; nine months after payment of the final account was released in May 2016.</p>
Response	I will endeavour in future projects to follow the Contract Management checklist.

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 2017– MARCH 2018

Report Number	Audit Assignment	System Significance Band	Status	Assurance
	ANNUAL AUDITS			
17-01	Income Collection	1	Final	Substantial
17-02	Housing Benefits	1	Draft	Substantial
17-03	Council Tax & Council Tax Support	1	Final	Substantial
17-04	Business Rates (NNDR)	1	Final	Substantial
17-05	Risk Management	1	In progress	
17-06	Cash Floats/Receipting Controls	-	In progress	
17-08	Fraud and Corruption Survey	-	Complete	N/a
17-09	Performance Management	2	In progress	
17-10	Budgetary Control	2	Final	Unqualified
17-11	Treasury Management	2	Final	Substantial
17-12	Car Park Meter Income	2	Final	Substantial
17-13	Payroll (incl Expenses)	2	In progress	
17-14	Accounts Receivable	2	Draft	Substantial
17-15	Corporate Control/Governance	2	In progress	
17-16	Main Accounting System and Periodic Controls	2	Q3 In Progress	
17-17	Procurement (inc. Ordering)	2	Final	Restricted
17-18	Accounts Payable	2	Final	Substantial
17-19	Housing Rents	2	Commenced	
17-20	Standing Orders/Financial Regs/Council Plans & Policies	2	Complete	N/a
17-21	Housing Maintenance (Day to day repairs)	2		
17-22	Housing Rents - System Review	-	N/a	N/a
17-23	NFI responsibilities	-	Ongoing	
17-25	Benefit Certification	-	Complete	
17-26	Probity	-	Complete	N/a
17-27	Council Leased Vehicles	-	Final	Restricted
17-28	Probity	-	Complete	N/a

Report Number	Audit Assignment	System Significance Band	Status	Assurance
17-29	TRO review	-	Complete	N/a
17-30	Elior Forum Review	-	Complete	N/a
	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	
17-24	Mayor's Account	-	Complete	N/a
	IT ENVIRONMENT AUDITS			
IT64	Email and Internet Controls	-	Final	Substantial
IT65	IT General Controls	-	Final	Substantial
IT66	IT Implementation Review	-	Complete	N/a
17-07	IMPLEMENTATION REVIEW			

Fraud Hotline Calls

	Revenues/ Benefit related	Staff Related	Other	Total
2017/18 (Full year)	33	1	7	41
2016/17 (Full year)	54	3	3	60

5. CONTRACT AUDIT

Report Number	Audit Assignment	Status	Assurance/ Comment
CR91	Rawlinson Street Group Repair	Final	Restricted
CR100	Crematorium/Cemetery Office	Final	Restricted
CR107	High level electrical repairs & festive lighting	Final	Restricted
CR108	Electrical reactive repairs & maintenance	Final	Restricted
CR95	Town Hall Ground Floor Alterations and Refurbishments	Final	Restricted
CR80	Roa Island Jetty	Stage 4 Findings issued 15th Sept 16	Final Account awaited
CR94	2014 CHP Devonshire Road Improvements	Stage 2 and 3 Findings issued 4th May 17	Awaiting Stage 4/5 checklist
CR97	Maritime Streets Landscaping Design	Stage 3 completed 17th Sept 15	Awaiting response to findings
CR98	Maritime Streets Landscaping Works		Awaiting further information
CR113	Recycling Containers	Stage 1 Findings issued 30th May 17	
CR115	Refuse, Recycling & Street Cleansing 2017-24	Supporting information outstanding	
CR117	Cavendish Park Changing Rooms	Stage 1 received	Awaiting complete supporting information

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		2017/18
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.	81%
3	Percentage of Final reports issued within 10 working days of receipt of management response.	94%
4	Percentage of Priority 1 and Priority 2 Recommendations acceptable to the audit client.	100%

Draft Reports issued

Ref	Audit	Date issued
17-02	Housing Benefits	29 January 2018
17-14	Accounts Receivable	20 February 2018

APPENDIX 1 – RESTRICTED ASSURANCE AUDITS

Ref	Audit	Recommendations			Previous Recommendations			Total	Date Issued
		P1	P2	P3	P1	P2	P3		
17-27	Council Leased Vehicles	3	3	0	0	0	0	6	27 June 2017
CR91	Rawlinson Street Group Repair	1	2	0	0	0	0	3	22 November 2017
CR107	High Level and festive lighting	5	1	0	0	0	0	6	22 November 2017
CR108	Electrical reactive maintenance and repairs	4	3	0	0	0	0	7	22 November 2017
CR100	Crematorium and Cemetery Office	2	5	0	0	0	0	7	29 November 2017
CR95	Town Hall Ground Floor Alterations and Refurbishments	1	11	0	0	0	0	12	7 th March 2018
17-17	Procurement	0	0	0	3	1	0	4	7 th March 2018

AUDIT COMMITTEE	(D) Agenda Item 10
Date of Meeting: 22nd March, 2018	
Reporting Officer: Head of Internal Audit	
<p>Title: Internal Audit Charter</p> <p>Summary and Conclusions:</p> <p>The Internal Audit Charter sets out the formal role of Internal Audit within the Council. This includes the service purpose, authority and responsibility.</p> <p>Recommendations:</p> <p>To endorse the Internal Audit Charter.</p>	

Report

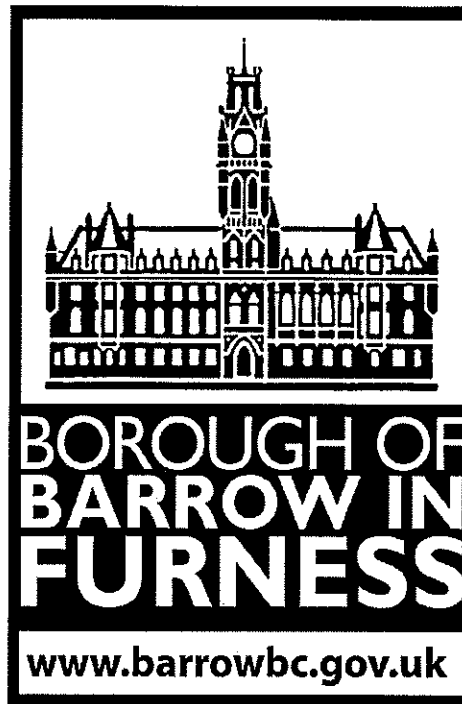
The Internal Audit Charter is a formal document that defines the Internal Audit services' purpose, authority and responsibility. The Internal Audit Charter establishes the internal audit activity's position within the Council, it authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

The Charter also sets out the powers and independence of Internal Audit among other aspects of the service.

Members are recommended to endorse the Internal Audit Charter (**Appendix 10**).

Background Papers

PSIAS compliance checklist.



Internal Audit Charter

Version Control:	
Document Name:	Internal Audit Charter
Version:	28022018.1
Author:	Head of Internal Audit
Approved by:	Audit Committee
Date Approved:	March 2018
Review Date:	March 2021

Barrow Borough Council

Internal Audit Charter

The Internal Audit Charter is a formal document that defines the internal audit activity's, purpose, authority and responsibility. The Internal Audit Charter establishes the internal audit activity's position within the organisation, authorises access to records, personnel and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Purpose

The definition of Internal Auditing is documented within the Public Sector Internal Audit Standards (PSIAS) as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value to improve an organisation's operations. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control and governance processes.

Standards

The Accounts and Audit (England) Regulations 2011 require the Council to undertake an adequate and effective internal audit in accordance with proper practices. These are set out in the Public Sector Internal Audit Standards (PSIAS) and the Local Government Application Note, both published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Institute of Internal Auditors (IIA).

The Council's Internal Audit Service operates substantially in accordance with this framework.

Professionalism

The Head of Internal Audit is professionally qualified and complies with the guidance published by CIPFA in its "Role of the Head of Internal Audit in Public Service Organisations".

In carrying out their duties, Internal Auditors have regard to:

- the PSIAS and the Local Government Application Note;
- the CIPFA/IIA Code of Ethics;

- the Committee on Standards in Public Life's "Seven Principles of Public Life"; and
- the department's professional standards.

In addition, the internal audit service conforms to its Audit Manual and the Council's policies and procedures relating to Internal Audit.

Organisation

The Council's Constitution delegates responsibility for internal audit and governance issues to its Audit Committee, which fulfils the role of "the Board" described in the PSIAS.

The CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government places a personal responsibility for internal audit on the CFO, represented at the Council by its Director of Resources.

The Head of Internal Audit reports functionally to the Audit Committee and administratively to the Director of Resources (the Section 151 Officer).

The Head of Internal Audit also has free and unrestricted access to the Chairman of the Audit Committee, the Council's Executive Director (Head of Paid Service), Director of Resources (Section 151 Officer) and Democratic Services Manager (Monitoring Officer).

Authority

The Council's Financial Regulations authorise Internal Auditors, as representatives of the Director of Resources, to enter at all reasonable times any offices, premises or land under the control of the Council and to have unrestricted access to all records, documents and correspondence relating to any matter under consideration, without limitation.

Further, all Council staff and contractors must provide such information and explanations as considered necessary and produce upon demand cash, stocks, documents or other property of the Council under their control.

Independence and Objectivity

Internal Audit is organisationally independent of the activities of the Council; in particular, internal auditors have no direct operational responsibility or authority over any of the activities audited.

In order to maintain the necessary independence and objectivity, the internal audit service is free from interference by any element in the Council, including matters of audit selection, scope, procedures, frequency, timing or report content.

Scope and Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Council's entire governance, risk management and internal control processes in relation to its defined goals and objectives.

Based on its activity, Internal Audit is responsible for reporting significant risk exposure and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters requested by the Committee.

The Head of Internal Audit is responsible for formulating an annual opinion on the overall adequacy and effectiveness of the internal control environment; the Council is able to place assurance on this opinion, taking into account any stated qualifications. Assurances are only provided to external parties with the agreement of the Director of Resources.

By issuing the annual opinion and by direct involvement with Council managers, Internal Audit contributes to the Council's annual review of the effectiveness of its system of internal control and the preparation of its Annual Governance Statement.

Consultancy Work

Internal audit may perform consulting, advisory or support services related to governance, risk management and control arrangements as commissioned by the Council. In undertaking such assignments, the Head of Internal Audit will operate arrangements which ensure that there are no conflicts of interest with mainstream internal audit work.

Internal Audit Plan

The overall resource budget for the Internal Audit service is determined through consultation between the Head of Internal Audit and the Director of Resources. Within that budget, the Head of Internal Audit submits an annual Audit Plan for approval by the Audit Committee. The Plan is based on a prioritisation of the audit universe using a risk-based methodology. Prior to its submission to the Committee for approval, the Plan will be discussed with the Director of Resources and, as required, Management Board.

Both the Head of Internal Audit and the Director of Resources are able to raise concerns with the Audit Committee if they consider the proposed resources are insufficient to provide an adequate and effective internal audit of the Council's activities.

Reporting and Monitoring

Following the conclusion of each individual audit, the Head of Internal Audit issues a written report which describes identified system weaknesses, proposes recommended improvements and provides an opinion on the assurance which can be placed on the internal controls in operation. The report includes management's response to the findings and plans for corrective action. Internal Audit is responsible for following up recommendations to ensure that they are implemented.

All individual audit reports are submitted to the Director of Resources with the Executive Summary being presented to the Audit Committee. The Committee also receives quarterly progress reports, from the Head of Internal Audit, and an annual outturn report containing his opinion on the control environment.

Quality Assurance

Internal Audit has a defined quality assurance methodology which applies to all information it produces. All files, working papers, draft and final reports are subject to peer review by a different Auditor within the team and subsequent sign-off by the Head of Internal Audit. Additionally, the service is subject to a periodic assessment against the PSIAS as applied to Local Government and to the annual review of effectiveness required by the Accounts and Audit Regulations.

Anti-Fraud Work

The Audit Plan provides sufficient resource for Internal Audit's involvement in several of the Council's anti-fraud measures. Internal Audit operates a confidential telephone hotline service for the Council, whereby members of the public can notify their concerns; the majority of such calls relate to suspected benefits and Council Tax matters, which are referred for investigation by appropriate officers.

Financial Regulations require all staff to inform Internal Audit where they suspect financial irregularity. Similarly, staff concerns can be raised with Internal Audit under the Whistleblowing Policy. Internal Audit contributes to reviews of the Anti-Fraud and Corruption Policy and has a role under that Policy to investigate potential fraudulent activity as requested by the Director of Resources. Finally,

Internal Audit is appropriately involved in investigating results from the National Fraud Initiative (NFI) data matching exercise.

Review

This Charter is subject to review and approval at least every three years.

Periodic Assessment

The Head of Internal Audit is also responsible for undertaking a periodic self-assessment of the consistency of the internal audit activity with the Audit Charter (purpose, authority, responsibility) and performance relative to its Plan.

Approved by:

Head of Internal Audit

Audit Committee

Date of Approval: 22nd March 2018

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 11
Date of Meeting: 22nd March, 2018		
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, 2018. 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, 2018.</p>		

Report

The External Audit Plan for the year ended 31st March, 2018 is detailed at **Appendix 11** and will be presented to Members by the External Auditors.

Background Papers

Nil

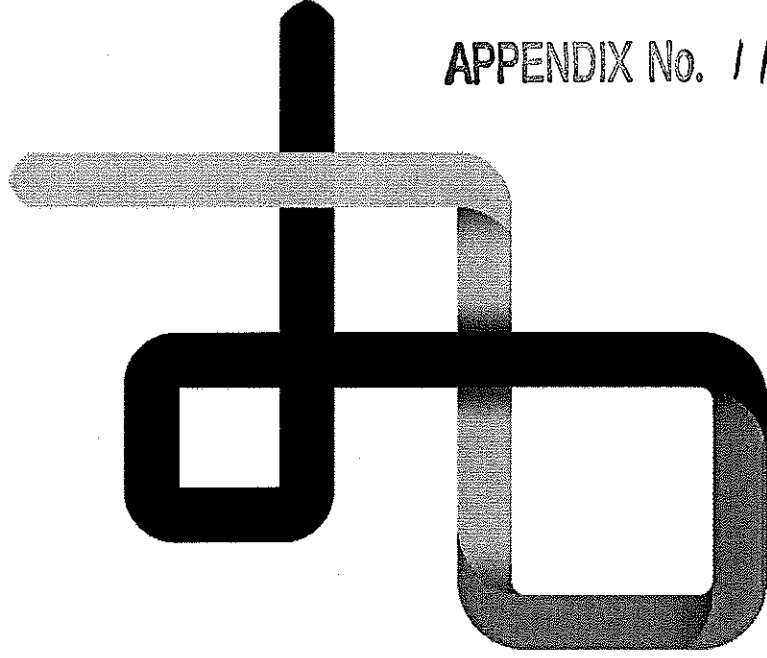


External Audit Plan

Year ending 31 March 2018

Barrow Borough Council
February 2018

APPENDIX No. 11



Contents



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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning 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 the Council or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction & headlines

Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Barrow Borough Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Barrow Borough Council. We draw your attention to both of these documents on the [PSAA website](#).

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the:

- financial statements (including the Annual Governance Statement) that have been prepared by management with the oversight of those charged with governance (the Audit Committee); and
- Value for Money arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources.

The audit of the financial statements does not relieve management or the Audit Committee of your 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 audit approach is based on a thorough understanding of the Council's business and is risk based.

Significant risks Those risks requiring specific audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management over-ride of controls
- Implementation of the new payroll system
- Valuation of land and buildings
- Valuation of pension fund net liability.

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality We have determined planning materiality to be £970,000 (PY £895,000), which equates to 2% of expenditure in the prior year accounts (after adjusting for the one-off gain in housing valuations recognised in the prior year following a change in the national discount factor used for housing stock valuations). We will report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. Clearly trivial has been set at £48,000 (PY £44,000).

Value for Money arrangements Our risk assessment regarding your arrangements to secure value for money have identified the following VFM significant risks:

- The Council are making key strategic decisions in 2017/18 which will fundamentally alter models of service delivery impacting on the delivery of the budget strategy from 2018/19. We need to confirm adequate arrangements are in place to prepare for the change in the models of service delivery and that if these changes do not deliver savings robust plans are in place to bridge the gap in other areas.
- The 2016/17 Annual Governance Statement identified the need to strengthen the Council's arrangements to ensure all departments can demonstrate compliance with the Council's rules and regulations relating to procurement. We need to confirm that improvements have been made which ensure the Council can demonstrate procurement processes ensure overall value for money.

Audit logistics Our interim visit will take place from January to March 2018 and our final visit will take place in June and July 2018. Our key deliverables are this Audit Plan and our Audit Findings Report. Our fee for the audit will be no less than £51,119 for the Council. This is unchanged from the prior year.

Independence We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Deep business understanding

Changes to service delivery

Commercialisation

The scale of investment activity, primarily in commercial property, has increased as local authorities seek to maximise income generation. These investments are often discharged through a company, partnership or other investment vehicle. Local authorities need to ensure that their commercial activities are presented appropriately, in compliance with the CIPFA Code of Practice and statutory framework, such as the Capital Finance Regulations. Where borrowing to finance these activities, local authorities need to comply with CIPFA's Prudential Code. A new version was published in December 2017.

Changes to financial reporting requirements

Accounts and Audit Regulations 2015 (the Regulations)

The Department of Communities and Local Government (DCLG) is currently undertaking a review of the Regulations, which may be subject to change. The date for any proposed changes has yet to be confirmed, so it is not yet clear or whether they will apply to the 2017/18 financial statements.

Under the 2015 Regulations local authorities are required to publish their accounts along with the auditors opinion by 31 July 2018.

Changes to the CIPFA 2017/18 Accounting Code

CIPFA has introduced other minor changes to the 2017/18 Code which confirm the going concern basis for local authorities, and updates for leases, service concession arrangements and financial instruments.

Key challenges

Budget strategy

The Council is on course to deliver a balanced budget in 2017/18. The Council is part-way through implementing a programme of savings to ensure it can continue to balance its budget in the medium-term, in spite of continuing reduction in central government funding.

Housing Renewal

Providing a greater choice of good quality housing and regenerating the oldest and poorest housing in the Borough is a long-standing corporate objective of the Council. The Council has been successful in identifying potential developers to take forward building new properties on some of the housing sites identified in the Council's local plan.

Our response

- We will consider your arrangements for managing and reporting your financial resources as part of our work in reaching our Value for Money conclusion.
- We will consider whether your financial position leads to uncertainty about the going concern assumption and will review any related disclosures in the financial statements.
- We will keep you informed of changes to the Regulations and any associated changes to financial reporting or public inspection requirements for 2017/18 through on-going discussions and invitations to our technical update workshops.

Significant risks identified

Significant risks are defined by professional standards as risks that, in the judgement of the auditor, require special audit consideration because they have a higher risk of material misstatement. Such risks often relate to significant non-routine transactions and judgmental matters. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>The revenue cycle includes fraudulent transactions</p>	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue 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.</p>	<p>Having considered the risk factors set out in ISA 240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition • opportunities to manipulate revenue recognition are very limited • the culture and ethical frameworks of local authorities, including Barrow Borough Council, mean that all forms of fraud are seen as unacceptable. <p>Therefore we do not consider this to be a significant risk for Barrow Borough Council.</p>
<p>Management over-ride of controls</p>	<p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that management over-ride of controls is present in all entities. Management over-ride of controls is a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • gain an understanding of the accounting estimates, judgements applied and decisions made by management and consider their reasonableness • obtain a full listing of journal entries, identify and test large and unusual journal entries for appropriateness • evaluate the rationale for any changes in accounting policies or significant unusual transactions.

Significant risks identified

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Valuation of land and buildings	<p>The Council revalues its non-dwelling land and buildings using a five year rolling programme. Valuations are undertaken by the Council's external valuer. Additional valuations are undertaken, above and beyond those planned as part of the five-year programme, if these are considered necessary to ensure that the carrying value of land and buildings is not materially different from current value at the Balance Sheet date.</p> <p>Council Dwellings are valued on an annual basis in accordance with Department for Communities and Local Government (DCLG) guidance.</p> <p>The valuation of land and buildings is a key estimate made by management in order to produce the financial statements. We have identified this estimate and the assumptions underpinning the estimate as a risk which requires special audit attention.</p>	<p>We will:</p> <ul style="list-style-type: none"> • review management's processes and assumptions for the preparation of the estimate, including detailed consideration of the instructions issued to the external valuer and how the scope of the valuer's work has been determined • assess the competence, expertise and objectivity of the external valuer • meet with the valuer to discuss the basis on which valuations have been carried out and confirm this is consistent with our expectation based on the provisions of the CIPFA Code of Practice and relevant accounting standards • identify the data provided to and/or obtained by the valuer to inform the valuation process and confirm the appropriateness of the data used • test revaluations provided during the year to confirm these are accurately reflected in the asset register and that the associated accounting entries have been posted to reflect movements in asset values • review management's process for obtaining assurance in relation to those assets not subject to formal valuation during the year to confirm the process is sufficiently robust to mitigate the risk the value of assets not revalued might be materially misstated (either at the level of individual assets or in aggregate).
Valuation of pension fund net liability	<p>The Council's pension fund asset and liability as reflected in its balance sheet represent a significant estimate in the financial statements.</p> <p>We identified the valuation of the pension fund net liability as a risk requiring special audit consideration.</p>	<p>We will:</p> <ul style="list-style-type: none"> • identify the controls put in place by management and the controls established by Cumbria Pension Fund to ensure that the pension fund liability is not materially misstated. We will assess whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement • evaluate the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. On behalf of external audit suppliers to local government, the National Audit Office has commissioned an auditor's expert to undertake a review of the actuaries engaged by local government pension funds, including the Cumbria Pension Fund. We will consider the expert's findings and follow-up on any implications for our audit • undertake procedures to confirm the reasonableness of the actuarial assumptions made, particularly if these are specific to Barrow • check the consistency of the pension fund asset and liability position and disclosures in notes to the financial statements with the actuarial report.

Significant risks identified (continued)

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
<p>Implementation of new payroll system</p> <p>(Accuracy and Completeness Assertions)</p>	<p>In April 2017, the Council implemented a new payroll system. Prior to that the Council outsourced its payroll function to a third party provider. We need to gain an understanding of the process adopted to implement the new system, including the process followed to migrate relevant standing data. We also need to confirm that appropriate controls have been incorporated into the design of the new system and that these controls have been implemented as intended by management.</p> <p>We have identified the accuracy and completeness of employee remuneration expenditure as the assertions which give rise to a significant risk of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> • arrange for our specialist IT audit team to undertake a review of the implementation of the payroll system, including arrangements to migrate import/migrate relevant standing data • obtain an understanding of the design of the new system, including the controls developed and implemented by management to prevent and/or detect a material misstatement in the financial statements; • test the year-end reconciliation of the payroll system to the general ledger. • substantive analytical procedure to obtain assurance over the accuracy of the payroll expenditure recorded in the accounts • test for reasonableness any accruals posted to the Council to reflect amounts due to employees but not paid at the year-end.

Reasonably possible 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 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.

Risk	Reason for risk identification	Key aspects of our proposed response to the risk
Operating expenses	<p>The Council purchases goods and services from a range of suppliers. At the year-end management uses judgement to estimate the value of goods or services consumed which have not yet been paid for so that where an invoice has not been received appropriate accruals can be reflected in the Balance Sheet. This forms part of the closedown process for both capital and revenue transactions and the use of estimates is required to enable the Council to close its ledgers promptly.</p> <p>Given the use of estimation techniques, we identified completeness of non-pay expenditure as a risk requiring particular audit attention.</p>	<p>We will</p> <ul style="list-style-type: none"> • gain an understanding of the Council's process for initiating, processing, recording and reporting accounts payable invoices and other types of non-pay expenditure incurred by the Council • test the year-end reconciliation of the accounts payable system to the general ledger • assess the accruals process established by management and consider whether it is sufficiently comprehensive to ensure year-end accruals are not materially misstated • test a sample of year end accruals and creditor balances in the year-end balance sheet to confirm these accurately reflect year-end liabilities • test a sample of payments made in April 2018 to confirm the associated invoices have been accounted for in the correct financial year.

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with the guidance issued 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 carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under the Act and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your 2017/18 financial statements, consider and decide upon any objections received in relation to the 2017/18 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.

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 this report.

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) 570). We will review management's assessment of the going concern assumption and evaluate the disclosures in the financial statements.

Setting Materiality – Overall Materiality

The concept of materiality

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. 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.

Materiality for planning purposes

We propose to calculate financial statement materiality based on a proportion of the gross expenditure of the Council for the financial year. In the prior year we used the same benchmark. We have determined planning materiality (the financial statements materiality determined at the planning stage of the audit) to be £970,000 (PY £895,000), which equates to 2% of expenditure in the prior year accounts (after adjusting for the one-off gain in housing valuations recognised in the prior year following a change in the national discount factor used for housing stock valuations). We design our procedures to detect errors in specific accounts at a lower level of precision.

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality

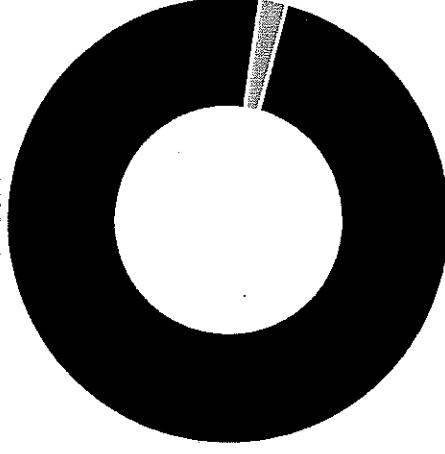
Matters we will report to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £53,000 (PY £54,000).

If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Materiality
£970,000
Financial statements
materiality
(PY: £895,000)

Prior Year expenditure (excluding one-off increase in housing valuation)
£48,498m



- Forecast gross expenditure
- Materiality

Triviality
£48,000
Misstatements reported
to the Audit Committee
(PY: £44,000)

Setting Materiality – Materiality for Sensitive Items

Identifying transactions requiring a separate materiality level

Alongside calculating an overall materiality level to inform our audit of the financial statements, auditing standards require 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 determined that a separate materiality level should be adopted in the following areas:

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 those charged with governance..

Disclosures of officers' remuneration and salary bandings in the notes to the financial statements - due to public interest in these disclosures and the statutory requirement for them to be made.

Determining materiality level for sensitive items

Materiality for the sensitive items has been calculated on a similar basis to that used for the final statements, i.e. a proportion of the total value of the disclosure. In our view errors in the disclosure below the materiality levels quoted would not impact on economics decisions taken by users of the financial statements. For both of the areas highlighted above, we will review the completeness of the disclosures in the draft financial statements based on our knowledge of the Council's affairs. We will also review the materiality levels proposed on receipt of the draft statements and alter these if this is considered necessary.

Proposed Materiality Levels for Sensitive Items

Area of the Accounts	Proposed Materiality
Related Party Transactions	£2,000 (based on 2% of total related party transactions in the 2016/17 audited statements)
Senior Officer Remuneration	£3,000 (based on 2% of total senior officer remuneration in the 2016/17 audited statements)

Value for Money arrangements

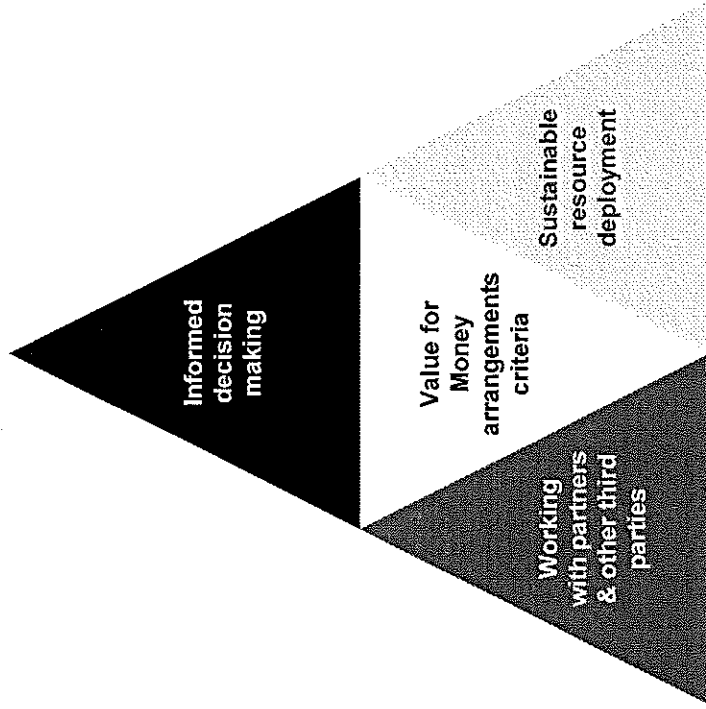
Background to our VFM approach

The NAO issued its guidance for auditors on Value for Money work for 2017/18 in November 2017. 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:

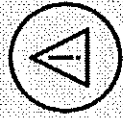
"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below.



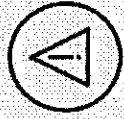
Significant VFM risks

Those risks requiring specific audit consideration and procedures to address the likelihood that proper arrangements are not in place at the Council to deliver value for money.



Budget Strategy

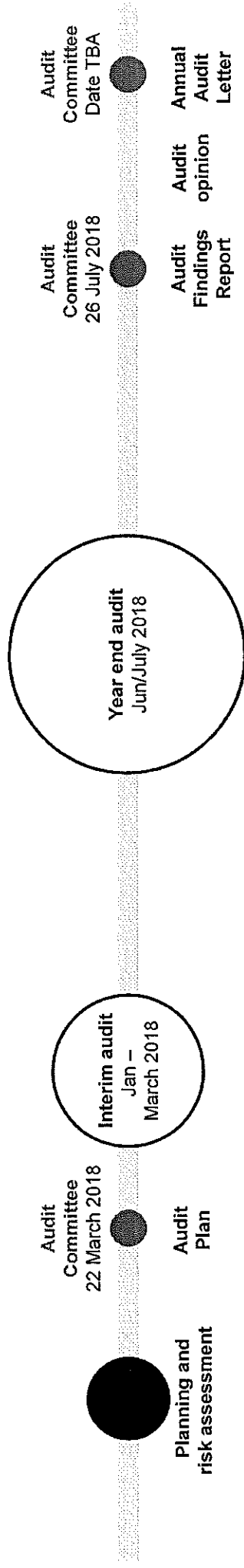
- The Council are making key strategic decisions in 2017/18 which will fundamentally alter models of service delivery impacting on the delivery of the budget strategy from 2018/19. We need to confirm adequate arrangements are in place to prepare for the change in the models of service delivery and that if these changes do not deliver savings robust plans are in place to bridge the gap in other areas.



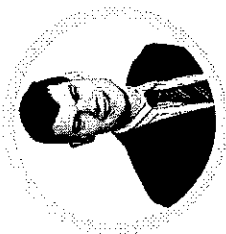
Procurement Arrangements

- The 2016/17 Annual Governance Statement identified the need to strengthen the Council's arrangements to ensure all departments can demonstrate compliance with the Council's rules and regulations relating to procurement. We need to confirm that improvements have been made which ensure the Council can demonstrate procurement processes ensure overall value for money.

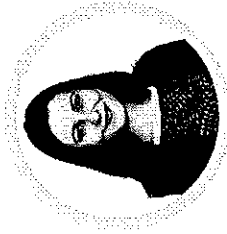
Audit logistics, team & audit fees



Gareth Kelly, Engagement Lead
Associate Director



Neil Krajewski, Audit Manager
Senior Manager



Anna-Maria Delcheva, Audit In-charge
Associate

Audit fees

The planned audit fees are no less than £51,119 for the financial statements audit which is unchanged from the prior year. We also undertake grant certification work which exclusively relates to housing benefit subsidy certification, which currently falls under the remit of Public Sector Audit Appointments Limited. The indicative fee for this work is £16,168. Fees in respect of other grant work, such as reasonable assurance reports, are shown under 'Fees for other services'. In the previous year we undertook an agreed upon procedures engagement in relation to the Council's Housing Capital Receipts return. The fee for this work was £2,500. It is likely that the Council will need to make arrangements to obtain assurance in relation to this return this year. If we are engaged to undertake this work we will report this as part of our audit findings report.

In setting your fee, we have assumed that the scope of the audit, and the Council and its activities, do not significantly change.

Our requirements

To ensure the audit is delivered on time and to avoid any additional fees, we have detailed our expectations and requirements in the following section 'Early Close'. If the requirements detailed overleaf are not met, we reserve the right to postpone our audit visit and charge fees to reimburse us for any additional costs incurred.

Early close

Meeting the early close timeframe

Bringing forward the statutory date for publication of audited local government accounts to 31 July this year, across the whole sector, is a significant challenge for local authorities and auditors alike. For authorities, the time available to prepare the accounts is curtailed, while, as auditors we have a shorter period to complete our work and face an even more significant peak in our workload than previously.

We have carefully planned how we can make the best use of the resources available to us during the final accounts period. As well as increasing the overall level of resources available to deliver audits, we have focused on:

- bringing forward as much work as possible to interim audits
- starting work on final accounts audits as early as possible, by agreeing which authorities will have accounts prepared significantly before the end of May
- seeking further efficiencies in the way we carry out our audits
- working with you to agree detailed plans to make the audits run smoothly, including early agreement of audit dates, working paper and data requirements and early discussions on potentially contentious items.

We are satisfied that, if all these plans are implemented, we will be able to complete your audit and those of our other local government clients in sufficient time to meet the earlier deadline.

Client responsibilities

Where individual clients do not deliver to the timetable agreed, we need to ensure that this does not impact on audit quality or absorb a disproportionate amount of time, thereby disadvantaging other clients. We will therefore conduct audits in line with the timetable set out in audit plans (as detailed on page 12). Where the elapsed time to complete an audit exceeds that agreed due to a client not meeting its obligations we will not be able to maintain a team on site. Similarly, where additional resources are needed to complete the audit due to a client not meeting their obligations we are not able to guarantee the delivery of the audit by the statutory deadline. Such audits are unlikely to be re-started until very close to, or after the statutory deadline. In addition, it is highly likely that these audits will incur additional audit fees.

Our requirements

To minimise the risk of a delayed audit or additional audit fees being incurred, you need to ensure that you:

- produce draft financial statements of good quality by the deadline you have agreed with us, including all notes, the narrative report and the Annual Governance Statement
- ensure that good quality working papers are available at the start of the audit, in accordance with the working paper requirements schedule that we have shared with you
- ensure that the agreed data reports are available to us at the start of the audit and are reconciled to the values in the accounts, in order to facilitate our selection of samples;
- ensure that all appropriate staff are available on site throughout (or as otherwise agreed) the planned period of the audit
- respond promptly and adequately to audit queries.

In return, we will ensure that:

- the audit runs smoothly with the minimum disruption to your staff
- you are kept informed of progress through the use of an issues tracker and weekly meetings during the audit
- we are available to discuss issues with you prior to and during your preparation of the financial statements.

Independence & non-audit services

Auditor independence

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant facts and matters that may bear upon the integrity, objectivity and independence of the firm or covered persons, relating to our independence. We encourage you to contact us to discuss these or any other independence issues with us. We will also discuss with you if we make additional significant judgements surrounding independence matters.

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 Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in December 2016 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council.

Non-audit services

As noted on page 13, in the previous financial year we undertook an agreed upon procedures engagement in relation to the Council's Housing Capital Receipts return. We anticipate that the Council may need to make arrangements to obtain assurance in relation to this return in the 2017/18 financial year. If the Council appoints Grant Thornton to undertake this work we will ensure that adequate safeguards are put in place to preserve our independence as your appointed auditors. It is important to note that if we are engaged to undertake this work the assignment will not commence until after we have provided our opinion on the financial statements and the fee is likely to be immaterial compared to the main audit fee (fee in respect of 2016/17 was £2,500).

Appendices

A. Revised ISAs

Appendix A: Revised ISAs

Detailed below is a summary of the key changes impacting the auditor's report for audits of financial statement for periods commencing on or after 17 June 2016.

Section of the auditor's report	Description of the requirements
Conclusions relating to going concern	<p>We will be required to conclude and report whether:</p> <ul style="list-style-type: none"> • management's use of the going concern basis of accounting is appropriate; • management have disclosed identified material uncertainties that may cast significant doubt about the Council's ability to continue as a going concern.
Material uncertainty related to going concern	<p>We will need to include a brief description of the events or conditions identified that may cast significant doubt on the Council's ability to continue as a going concern when a material uncertainty has been identified and adequately disclosed in the financial statements.</p> <p>Going concern material uncertainties are no longer reported in an Emphasis of Matter section in our audit report.</p>
Other information	<p>We will be required to include a section on other information which includes:</p> <ul style="list-style-type: none"> • responsibilities of management and auditors regarding other information; • a statement that the opinion on the financial statements does not cover the other information unless required by law or regulation; • reporting inconsistencies or misstatements where identified.
Additional responsibilities for directors and the auditor	<p>We will be required to include the respective responsibilities for directors and us, as auditors, regarding going concern.</p>
Format of the report	<p>The format of the auditor's report will change, in particular the opinion section will appear first, followed by the basis of opinion section.</p>



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		Part One
AUDIT COMMITTEE		(D) Agenda Item 12
Date of Meeting:	22nd March, 2018	
Reporting Officer:	Director of Resources	
<p>Title: External Audit - Certification Work</p> <p>Summary and Conclusions:</p> <p>The certification work for Barrow Borough Council for year ended 31st March, 2017 has been completed by the External Auditors. The External Auditors have written to the Council to report their findings and will present these at the meeting.</p> <p>Recommendations:</p> <p>To receive the External Auditor's report and raise any questions.</p>		

Report

The External Auditors have completed the certification work relating to the financial year 2016-2017; the Housing Benefits subsidy claim for the Department of Works and Pensions.

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

Background Papers

Nil



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Sue Roberts
Director of Resources
Barrow Borough Council
Duke Street,
Barrow-In-Furness,
Cumbria, LA14 2LD

13 February 2018

Dear Sue,

Certification work for Barrow Borough Council for year ended 31 March 2017

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

The Local Audit and Accountability Act 2014 gave the Secretary of State power to transfer Audit Commission responsibilities to other bodies. Public Sector Audit Appointments (PSAA) took on the transitional responsibilities for HB COUNT issued by the Audit Commission in February 2015.

We have certified the Housing Benefit subsidy claim for the financial year 2016/17 relating to subsidy claimed of £18.77 million. Further details are set out in Appendix A.

The HBCOUNT approach requires us to test an initial sample of benefit cases. Follow-up testing is required if any errors are identified as part of that initial sample or if errors were found in the previous year. This year we undertook follow-up testing in four areas:

- (i) *Calculation of income pertaining to housing benefit claimants receiving rent rebate*— in the previous year we identified overpayments of benefit arising from errors made when determining claimant's weekly income. Two similar

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errors were identified in our initial sample and 19 further errors were found when we tested a follow-up sample of 40 cases, where the claimant's household income had been assessed. Of the 21 errors found, nine related to underpayments of benefit, five related to overpayments and in the remaining seven cases the error identified had no impact on overall entitlement to benefit.

- (ii) *Calculation of income pertaining to housing benefit claimants receiving rent allowance*— in the previous year we identified overpayments of benefit arising from errors made when determining claimant's weekly income. Two similar errors were identified in our initial sample and 11 further errors were found when we tested a follow-up sample of 40 cases where the claimant's household income had been assessed. Of the 13 errors found, three related to underpayments of benefit, eight related to overpayments and in the remaining two cases the error identified had no impact on overall entitlement to benefit.
- (iii) *Determining eligible rent for Local Housing Allowance cases*— in the previous year we identified errors when the Council had used an incorrect rent figure for claimants whose housing benefit was based on the local housing allowance rate applicable to the property they lived in. We did not identify similar errors in our initial sample and testing a follow-up sample of 40 local housing allowance cases did not identify any errors.
- (iv) *Classification of overpayments for rent allowance and rent rebate cases* — the regulations relating to housing benefit subsidy require the Council to record on the housing benefit subsidy claim form the circumstances that triggered each overpayment. For several years, we have identified errors concerning the classification of overpayments. The Council has responded to this by implementing checks on high-value overpayments exceeding £1200 to ensure these overpayments are properly classified on the claim form. We were able to take assurance that these checks had been properly completed and consequently we focussed our work on the lower-value overpayments. Testing three follow-up samples of 40 low-value overpayments (120 cases in total) identified eight errors relating to rent rebate overpayments and ten errors relating to rent allowance overpayments. We also agreed amendments relating to four rent rebate cases. These amendments were reflected in the final version of the claim form.
- (v) *Errors relating to calculation of Non-HRA rent rebate due* — the Council has a small number of non-HRA rent rebate cases. This caseload typically relates to claimants living in short-term accommodation. Based on errors found in the previous year, we tested all of the non-HRA rent rebates cases and agreed two minor amendments to the final claim form, which reduced the subsidy due to the Council by £188.

As a result of the errors identified, the claim was qualified and amended. We reported our findings to the Department as part of our qualification letter, which was issued on 17 November 2017 ahead of the deadline of 30 November 2017.

The indicative fee for 2016/17 for the Council was based on the final 2014/15 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by PSAA for the Council for 2016/17 was £13,733. By agreement with management, we have proposed an increase of £4,871 to the indicative fee to reflect an increase in the level of work undertaken compared to that undertaken in 2014/15. The increase in the amount of work reflects changes in the methodology adopted to test overpayments, which we discussed and agreed with you in November 2015. This is the second year that the claim has been audited using this methodology.

The proposed increase in the fee is subject to final approval by PSAA.

Yours sincerely

Grant Thornton UK LLP

Appendix A - Details of claims and returns certified for 2016/17

Details of claims and returns certified for 2016/17

Claim or return	Value	Amended?	Amendment value	Qualified?	Comments
Housing benefits subsidy claim	£18,777,224	Yes	£188	Yes	Qualification referred to the issues described in the main body of this letter

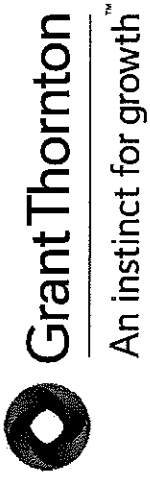
		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 13
Date of Meeting:	22nd March, 2018	
Reporting Officer:	Director of Resources	
<p>Title: External Audit Progress Report and Update</p> <p>Summary and Conclusions:</p> <p>The External Auditors have produced a progress and update report for the Audit Committee. The External Auditors will present the report to Members.</p> <p>Recommendations:</p> <p>To receive the External Auditors report and raise any questions.</p>		

Report

The External Auditors have produced a progress and update report for the Audit Committee. The report is attached at **Appendix 13** and will be presented to Members by the External Auditors.

Background Papers

Nil

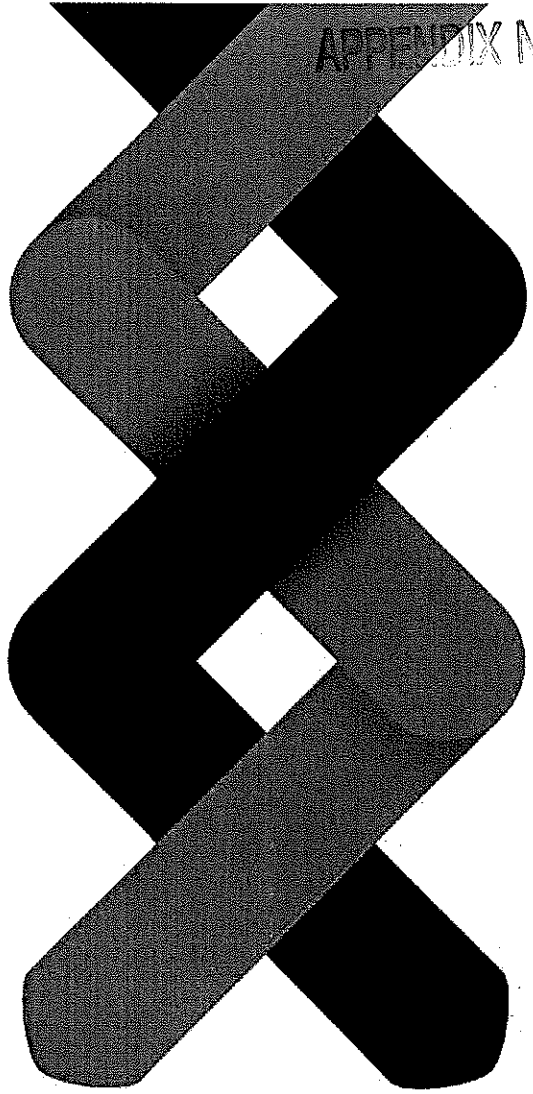


Audit Progress Report and Sector Update

Barrow Borough Council

Year ending 31 March 2018

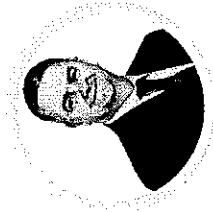
March 2018



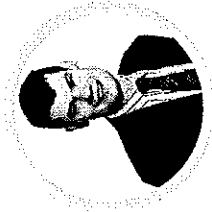
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Introduction



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

The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you as a local authority, and
- includes a number of challenge questions in respect of these emerging issues which the Committee may wish to consider (these are a tool to use, if helpful, rather than formal questions requiring responses for audit purposes)

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

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.

Progress at 8th March 2018

Financial Statements Audit

We have started planning for the 2017/18 financial statements audit and have issued a detailed audit plan, setting out our proposed approach to the audit of the Council's 2017/18 financial statements.

We commenced our interim audit in January 2018. Our interim fieldwork visit includes:

- 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.

The findings from our interim audit to date are summarised at page 6 to 7. Recommendations are included in the action plan at Appendix 1.

The statutory deadline for the issue of the 2017/18 opinion is brought forward by two months to 31 July 2018. We are discussing our plan and timetable with officers.

The final accounts audit is due to begin in June 2018 with findings reported to you in the Audit Findings Report by the 31 July 2018.

Value for Money

The scope of our work is set out in the guidance issued by the National Audit Office. 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

We undertook our initial risk assessment in December 2017 and the outcome of this is reported to you in our Audit Plan.

We will report our work in the Audit Findings Report and give our Value For Money Conclusion by the deadline in July 2018.

Other areas

Certification of claims and returns

We are required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. This certification work for the 2017/18 claim will be concluded by November 2018.

The results of the certification work are reported to you in our certification letter.

Meetings

We met with the finance team in February 2018 as part of our regular liaison meetings and continue to be in discussions on emerging developments with your finance staff, to ensure the audit process is smooth and effective.

Events

We provide a range of workshops to support Council officers. Most notably, these include final accounts workshops. Further details of the publications that may be of interest to the Council are set out in our Sector Update section of this report.

Audit Deliverables

2017/18 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2017/18.	April 2017	Complete
Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2017-18 financial statements.	January 2018	Complete
Interim Audit Findings We will report to you the findings from our interim audit within our Progress Report.	March 2018	Complete
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2018	Not yet due
Auditor's Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2018	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2018	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due

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	Conclusions and recommendations
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 considered 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.</p> <p>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 • 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>

Results of Interim Audit Work (continued)

	Work performed	Conclusions and recommendations
<p>Review of information technology controls</p>	<p>Our information systems specialist has commenced a high level review of the general IT control environment, as part of the overall review of the system of internal control. The review will consider the progress made towards implementing the recommendations relating to information technology made in our previous Audit Findings Report which the committee considered at its meeting in September 2017.</p>	<p>Our fieldwork is underway. Any significant findings and the associated recommendations will be reported as part of our Audit Findings report.</p>
<p>New material systems (Payroll and Housing Rents)</p>	<p>Auditing standards require the auditor to document our understanding of all information systems used by the Council, which are associated with a material entry in the Council's financial statements. Particular attention is required when an entity implements a new system. During the 2017/18 financial year the Council has implemented a new payroll system and a new housing rents system. The payroll system replaces the previous arrangement where the Council used an external provider.</p> <p>We have documented our understanding of the payroll system.</p> <p>Our work on the housing rents system is still ongoing, as officers advised that the Council had experienced delays in implementing an interface between the new Housing Rent system and the General Ledger. Until an interface is in place transactions recorded in the Housing Rents system cannot be transferred to the General Ledger system to be recorded and ultimately reported in the financial statements. We have agreed to conclude our work on the system when the Council completes work on the implementation of the interface.</p>	<p>Our fieldwork is continuing, however, we have not identified any significant matters to bring to your attention on the implementation of the new payroll system. The expected controls have been incorporated into the design of this new system and these controls have been implemented.</p> <p>Any significant findings and the associated recommendations will be reported as part of our Audit Findings Report.</p> <p>We have included a recommendation as part of the Action Plan attached to this report to highlight the need for the Council to ensure the interface between the Housing Rents system and the General Ledger is functioning fully, as soon as is practicable to do so.</p>

Sector Update

Local government finances are at a tipping point. Councils are tackling a continuing drive to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider NHS and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with audit committee members, as well as any accounting and regulatory updates.

- **Grant Thornton Publications**
- **Insights from local government sector specialists**
- **Reports of interest**
- **Accounting and regulatory updates**

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website

Public Sector Audit Appointments: Report on the results of auditors' work 2016/17

This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

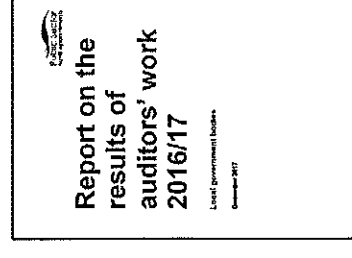
The timeliness and quality of financial reporting for 2016/17, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. Compared with 2015/16, the number of principal bodies that received an unqualified audit opinion by 31 July showed an encouraging increase. 83 principal bodies (17 per cent) received an unqualified opinion on their accounts by the end of July compared with 49 (10 per cent) for 2015/16. These bodies appear to be well positioned to meet the earlier statutory accounts publication timetable that will apply for 2017/18 accounts.

Less positively, the proportion of principal bodies where the auditor was unable to issue the opinion by 30 September increased compared to 2015/16. Auditors at 92 per cent of councils (331 out of 357) were able to issue the opinion on the accounts by 30 September 2017, compared to 96 per cent for the previous year. This is a disappointing development in the context of the challenging new reporting timetable from 2017/18. All police bodies, 29 out of 30 fire and rescue authorities and all other local government bodies received their audit opinions by 30 September 2017.

The number of qualified conclusions on value for money arrangements has remained relatively constant at 7 per cent (30 councils, 2 fire and rescue authorities and 1 other local government body) compared to 8 per cent for 2015/16. The most common reasons for auditors issuing non-standard conclusions on the 2016/17 accounts were:

- the impact of issues identified in the reports of statutory inspectorates;
- corporate governance issues; and
- financial sustainability.

The latest results of auditors' work on the financial year to 31 March 2017 show a solid position for the majority of principal local government bodies. Generally, high standards of financial reporting are being maintained despite the financial and service delivery challenges currently facing local government.



Changes to the prudential framework of capital finance

The Ministry of Housing Communities and Local Government has updated the Local Authority Investments Guidance and the Minimum Revenue following its publication of consultation responses on 2 February 2018.

A total of 213 consultation responses were received by the MHCLG by the 22 December 2017 deadline from across local government. Following consideration of the responses the Government has:

- made some technical changes to the Investments Guidance and MRP Guidance
- amended proposals relating to useful economic lives of assets
- implemented the Investments Guidance for 2018-19, but allowed flexibility on when the additional disclosure first need to be presented to full Council
- deferred implementation of MRP Guidance to 2019-20 apart from the guidance “Changing methods for calculating MRP”, which applies from 1 April 2018.

Key changes are noted below.

Statutory Guidance on Local Authority Investments

Transparency and democratic accountability – the revised guidance retains the requirement for an Investment Strategy to be prepared at least annually and introduces some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code include a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allows the matters required to be disclosed in the Investment Strategy to be disclosed in the Capital Strategy.

Principle of contribution – the consultation sought views on the introduction of a new principle requiring local authorities to disclose the contribution that non-core investments make towards core functions. Authorities’ core objectives include ‘service delivery objectives and/or placemaking role.’ This clarification has been made to recognise the fact that local authorities have a key role in facilitating the long term regeneration and economic growth of their local areas and that they may want to hold long term investments to facilitate this.

Introduction of a concept of proportionality – the Government is concerned that some local authorities may become overly dependent on commercial income as a source of revenue for delivering statutory services. The consultation sought views on requiring local authorities to disclose their dependence on commercial income to deliver statutory services and the amount of borrowing that has been committed to generate that income. A majority of respondents supported the introduction of a concept of proportionality, recognising the importance that local authorities make decisions based on an understanding of the overall risk that they face.

Borrowing in advance of need – by bringing non-financial investments (held primarily or partially to generate a profit) within the scope of the Investments Guidance, the consultation proposals made it clear that borrowing to fund acquisition of non-financial assets solely to generate a profit is not prudential. The Investment Guidance requires local authorities who have borrowed in advance of need solely to generate a profit to explain why they have chosen to disregard statutory guidance. It is also important to note that nothing in the Investment Guidance or the Prudential Code overrides statute, and local authorities will still need to consider whether any novel transaction is lawful by reference to legislation.

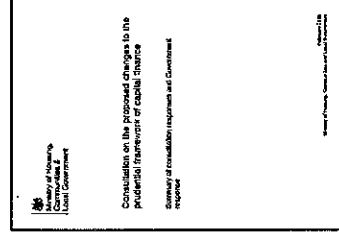
Minimum Revenue Provision Guidance

The consultation sought views on proposals to update the guidance relating to MRP to ensure local authorities are making prudent provision for the repayment of debt.

Meaning of a charge to the revenue account – the Government does not believe that crediting the revenue account is either prudent or within the spirit of the approach set out in the relevant Regulations. For this reason a charge to the account should not be a negative charge.

Impact of changing methods of calculating MRP – the Government does not expect any local authority to recalculate MRP charged in prior years due to the proposed changes in methodology.

Introduction of a maximum economic life of assets – the consultation sought views on setting a maximum useful economic life of 50 years for freehold land and 40 years for other assets. The MRP Guidance will set a maximum life of 50 years, but allow local authorities to exceed this where the related debt is PFI debt with a longer term than 50 years, or where a local authority has an opinion from an appropriately qualified person that an operational asset will deliver benefits for more than 50 years.



Changes to capital finance framework

Challenge question:

Has your Director of Resources briefed members on the impact of the changes to the prudential framework of capital finance?

CIPFA publications - The Prudential Code for Capital Finance in Local Authorities (2017 Edition)

CIPFA has published an updated 'Prudential Code for Capital Finance in Local Authorities'. Key developments include the introduction of more contextual reporting through the requirement to produce a capital strategy along with streamlined indicators.

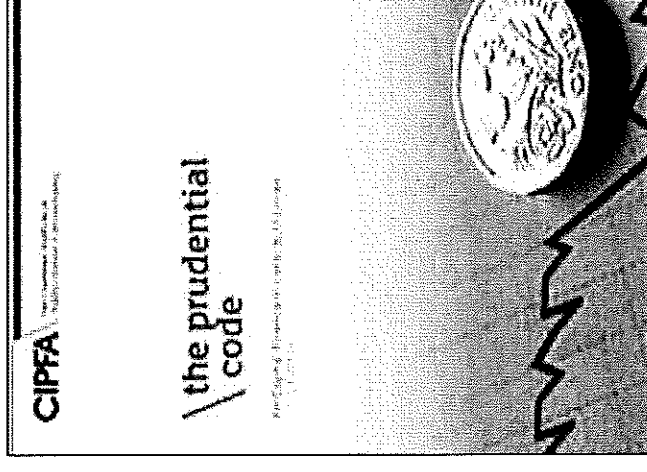
The framework established by the Prudential Code should support local strategic planning, local asset management planning and proper option appraisal. The objectives of the Prudential Code are to ensure, within this clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable.

Local authorities are required by regulation to have regard to the Prudential Code when carrying out their duties in England and Wales under Part 1 of the Local Government Act 2003, in Scotland under Part 7 of the Local Government in Scotland Act 2003, and in Northern Ireland under Part 1 of the Local Government Finance Act (Northern Ireland) 2011.

Since the Prudential Code was last updated in 2011, the landscape for public service delivery has changed significantly following the sustained period of reduced public spending and the developing localism agenda. It reflects the increasing diversity in the sector and new structures, whilst providing for streamlined reporting and indicators to encourage better understanding of local circumstances and improve decision making.

The introduction of a capital strategy allows individual local authorities to give greater weight to local circumstances and explain their approach to borrowing and investment.

The Code is available in hard copy and online.



CIPFA Publication

Challenge question:

Has your Director of Resources briefed members on the impact of the changes to the prudential code?



Overview of the General Data Protection Regulation (GDPR)

What is it?

The GDPR is the most significant development in data protection for 20 years. It introduces new rights for individuals and new obligations for public and private sector organisations.

What's next?

Many public sector organisations have already developed strategic plans to implement the GDPR, which require policy, operational, governance and technology changes to ensure compliance by 25th May 2018.

How will this affect you?

- ✓ All organisations that process personal data will be affected by the GDPR.
- ✓ The definition of 'personal data' has been clarified to include any data that can identify a living individual, either directly or indirectly. Various unique personal identifiers (including online cookies and IP addresses) will fall within the scope of personal data
- ✓ Local government organisations need to be able to provide evidence of completion of their GDPR work to internal and external stakeholders, to internal audit and to regulators.
- ✓ New policies and procedures need to be fully signed off and operational.

What organisations need to do by May 2018

Organisation Accountability

- Organisations must document their assurance procedures, and make them available to regulators
- Some organisations need to designate a Data Protection Officer, who has expert knowledge of data protection law
- Organisations must notify significant data breaches to regulators within 72 hours
- Organisations must explain to individuals what their rights over their personal information are and how it is being processed and protected

Notifications and Rights

- For the most serious data breaches, privacy regulators can impose penalties of up to €20 million on public sector organisations,
- Individuals and representative organisations can claim compensation for infringements of data protection law

Questions for your organisation:

- Can your organisation erase personal data effectively?
- Have you appointed a Data Protection Officer if required to have one?
- How will your organisation ensure citizens know how their data is being used and whether it's being shared with other organisations?

Links

Grant Thornton website links

<https://www.granthornton.co.uk/>
<http://www.granthornton.co.uk/industries/publicsector>
<http://www.granthornton.co.uk/en/insights/through-a-local-lens-solace-summit-2017/>
<http://www.granthornton.co.uk/en/insights/combined-authorities-signs-of-success/>
<http://www.granthornton.co.uk/en/insights/a-guide-to-setting-up-a-social-enterprise/>
<http://www.granthornton.co.uk/en/insights/commercial-healthcheck-in-local-authorities/>
<http://www.cfoinsights.co.uk/>
<http://supplychaininsights.granthornton.co.uk/>

PSAA website links

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

MHCLG website links

<https://www.gov.uk/government/consultations/proposed-changes-to-the-prudential-framework-of-capital-finance>
<https://www.gov.uk/government/publications/capital-finance-guidance-on-local-government-investments-second-edition>
<https://www.gov.uk/government/publications/capital-finance-guidance-on-minimum-revenue-provision-third-edition>

CIPFA website link

<http://www.cipfa.org/policy-and-guidance/publications/the-prudential-code-for-capital-finance-in-local-authorities-2017-edition-book>

Appendix 1 – Action plan

Priority

High - Significant effect on control system

Medium - Effect on control system

Low - Best practice

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	Implement a fully-functioning interface between the Housing Rents system and the General Ledger.	High	The Council is liaising with its software supplier to ensure the new housing rents system is able to produce the interfaces files necessary to transfer all relevant transactional information from the housing rents system to the General Ledger. There is currently one interface file which is outstanding. When this file is available the Council will set aside time as part of the accounts closedown to process and reconcile all interface files relating to the 2017-18 financial year.	31 March 2018, Financial Services Manager

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AUDIT COMMITTEE	(D) Agenda Item 14
Date of Meeting: 22nd March, 2018	
Reporting Officer: Director of Resources	
<p>Title: Audit Committee Update</p> <p>Summary and Conclusions:</p> <p>This report provides an update for Members on various topics.</p> <p>Recommendations:</p> <p>To note the report.</p>	

Report

Budget Strategy

The latest Budget Strategy update was presented with the budget proposals for 2018-2019:

Savings area	Planned £	Budgeted £	Comparison £
Major contract renewals	622,650	826,070	(203,420)
Leisure	467,000	275,860	191,140
Treasury	288,290	328,150	(39,860)
Burials and Cremations	241,470	219,630	21,840
Ring-fenced Properties	63,710	30,280	33,430
Dock Museum	26,140	5,830	20,310
Commercial Estate	Planned for 2019-2020		
Kennels	36,170	27,250	8,920
Playgrounds	36,640	11,270	25,370
Allotments	25,680	19,160	6,520
Barrow Park	18,430	12,870	5,560
Conveniences	10,020	16,650	(6,630)
Total	1,836,200	1,773,020	63,180

The current Budget Strategy aims to eliminate the forecast £2.7m deficit by 2019-2020 which is in addition to the £5m deficit eliminated by the first Budget Strategy. The General Fund budget for 2018-2019 is £10.5m (£10.4m excluding parish precepts); the savings across the Budget Strategies is £7.7m

The original savings forecast by 2018-2019 was £1.9m (of the £2.7m). £0.1m has been re-profiled; this makes the current savings forecast by 2018-2019 £1.8m. As shown in the previous table the budget proposals are running slightly short of the savings target. The Executive Committee has agreed an autumn review of the Budget Strategy to establish what further actions may be required. Items outside the Budget Strategy also vary from projections and the review will look at the whole picture for the General Fund.

The permanent savings forecast from the current £2.7m Budget Strategy total £0.8m; the outturn will increase this total.

Housing Revenue Account

The medium term funding gap for the Housing Revenue Account (HRA) is £500k. The HRA is limited in terms of scope for cost reductions and very limited in the scope to generate income.

The HRA 2018-2019 budget includes £450k of savings forecast. These come from the following areas of spend:

- Establishment review £145k
- Treasury management £140k
- Non-dwelling maintenance £107k
- General expenses £58k

The savings will be monitored quarterly by the Executive Committee and more regularly by Management, the same as the General Fund. The savings need to materialise from planned to actual outturn to be considered permanent.

Closure of Accounts 2017-2018

The closedown timetable has been prepared and issued to the Accountants and Cost Centre Managers. The timetable has been adjusted to bring forward some items, particularly those where estimates are made.

At the time this committee meets, the LGPS fund estimates will have been submitted, the basis for support service recharges will have been collated, certificates for stock, petty cash and accruals will have been prepared, accrued leave will have been collated and possibly costed for the ledger, related party certificates will have been issued and should be returned and any pre-work that can be performed will be addressed by the Accountants.

The accrual deadlines have been identified and the final payment run for the financial year has been set.

The Statement of Accounts must be authorised for issue by the 31st May this year and this was almost achieved in 2017. I recognise that with so many other major projects ongoing, there will need to be a concerted effort to keep the closedown on track.

Business Rate Retention Pilot Pool

The County was not successful in becoming a 100% Business Rate Retention Pilot. Subsequently the Cumbria Business Rate Pool has been reviewed and will continue with full Cumbria membership. The governance arrangements provide sufficient mitigation from other authority's potential losses and broadly continue the existing Pool financial protocols. Membership of the Cumbria Business Rate Pool is an annual decision delegated to the Director of Resources.

Audit of Housing Benefit Subsidy

The audit of the housing benefit subsidy from April 2018 is separate from the main audit service procured through the Public Sector Audit Appointment sector-led body approach. The Council agreed to directly engage with the appointed auditor; Grant Thornton. The paperwork required by the DWP is currently being drawn up.

Care Leavers Council Tax Exemption

Full Council resolved to implement this exemption and the Cumbria-wide Revenues and Benefits Managers Group are preparing a common policy and procedure.

Planning Fees

The Council opted to increase its planning fees by 20% as set out by the Government in the Housing White Paper. The proposal is to invest the additional income in staffing within Development Services in order to secure improved planning application performance.

The following table shows the quarter 3 performance which is being monitored by Management:

2016-2017	Indicator	Target	2017-2018
	Percentage of planning applications processed:		
63%	• major applications in 13 weeks	60%	42%
72%	• other applications in 8 weeks	80%	64%

Absence Management

The staff absence from sickness has been much higher than the previous year from quarter 1 onwards. Management Board agreed an absence management action plan which was prepared and is being implemented by the HR Department. The plan seeks to refresh Managers knowledge of the Council's process and options available and introduces a formal overview by Management Board (areas of responsibility) in addition to the detailed report considered quarterly.

The quarterly monitoring to the Executive Committee continues and whilst it is accepted that this is limited due to being in the public domain, the monitoring now shows long term and short term days lost. The Executive Committee recognise that the actions around long and short term absence are different and therefore wanted visibility of that in the quarterly indicators.

The position at quarter 3 is shown in the following table:

2016-2017	Indicator	2017-2018
5.96 days	Average days of sickness per employee	8.63 days
	Average days of long term sickness per employee	6.64 days
	Average days of short term sickness per employee	1.99 days

Council Tax

The Council Tax for the Borough was set with a 2.99% increase across all bands. The annual and weekly impact of the increase is shown in the following table; the increase generated £128k;

Band	Ratio	Chargeable Dwellings		Chargeable Dwellings Grouped	Increase in Borough Element	Increase Per Week
A	6/9	19,147	59%	89%	£4.43	£0.09
B	7/9	5,384	16%		£5.16	£0.10
C	8/9	4,635	14%		£5.90	£0.11
D	9/9	2,289	7%	7%	£6.64	£0.13
E	11/9	977	3%	4%	£8.12	£0.16
F	13/9	230	1%		£9.59	£0.18
G	15/9	70	0%		£11.07	£0.21
H	18/9	3	0%		£13.28	£0.26

The collection rate which is part of the Council Tax Base formula was reviewed during the budget setting exercise and has been set as 99%; 97% previously. The in-year collection rate will remain around 97% (96.8% 2017-2018) as the 99% reflects the all-time collection rate which is more likely to be around 99.5% given past performance.

Contract Management Checklists

As requested at the previous meeting, I wrote to officers about the Contract Management Checklists on behalf of the Audit Committee. I will convene a meeting either of Management Board or with Management Board to agree a way forward for contracting and tendering. If there are issues that need to be addressed, this will be dealt with by Management Board or reported to the Executive Committee as appropriate; I will update the Audit Committee on this matter at the next meeting.

Policy and Strategy (Governance) Updates

The following policy and strategy (governance) updates have occurred since the previous meeting of this committee, these were all formally presented to the Executive Committee and Full Council for approval:

- 2018-2019 budgets set including 2.99% Council Tax increase and required dwelling rent reduction.
- References Policy; refreshed.
- Delegation to Director of Resources to amend HR policies that do not impact on employee remuneration or terms and conditions.
- Development Service Manager (Planning) delegation amended for objections to applications, Planning Panel and major applications.
- Treasury Management Strategy Statement; borrowing and investing activities.
- Pay Policy 2018-2019; employee remuneration policy.
- Member Development Strategy; refreshed.
- General Data Protection Regulation Policy; successor to Data Protection Policy.
- Environmental Health constitution changes to delegation to Team Leaders as well as Manager, and change to Public Protection Services.

Background Papers

Nil

AUDIT COMMITTEE	(D) Agenda Item 15
Date of Meeting: 22nd March, 2018	
Reporting Officer: Director of Resources	
<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, 2017 to 31st March, 2018 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, 2017 to 31st March, 2018 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 2018-2019.	Yes	March 2018

Considerations	Assessment	Completed	Date
	Council approved Medium Term Financial Plan.	Yes	September 2016 and subsequent updates
	Council approved a three year capital programme.	Yes	March 2018
	External Audit provided an unqualified opinion on the accounts for the year ended 31st March 2017.	Yes	September 2017
	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	Budgets approved March 2018 TMSS approved March 2018 MTFP detail being refreshed against new Council Plan and longer term capital strategy for treasury management
	Council Plan and associated documents refreshed.	Yes	Council Plan agreed January 2018 Associated documents being refreshed
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 2018-2019.	Yes	October 2017

Considerations	Assessment	Completed	Date
	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
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 2017-2018 or 2018-2019. 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 Next whole Council election May 2019

Background Papers

Nil

AUDIT COMMITTEE		Part One (D) Agenda Item 16
Date of Meeting:	22nd March, 2018	
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 2017-2018 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 2017-2018

The following changes have been made:

- Financial years and dates have been updated as appropriate;
- Efficiency Support Grant item and text deleted;

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.

- Rounding item added;

The Council accepts that minor rounding differences of between £1k and £2k may occur within its Statement of Accounts, these amounts are not material and the Council does not intend to alter any totals where this occurs.

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 14** for the preparation of the Council's 2017-2018 Statement of Accounts.

Background Papers

Nil

Note 1. ACCOUNTING POLICIES**a. General Principles**

The Statement of Accounts summarises the authority's transactions for the 2017/18 financial year and its position at the year-end of 31 March 2018. 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 2017/18 and the Service Reporting Code of Practice 2017/18, 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.

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

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

- 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.

j. Financial InstrumentsFinancial 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

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.

m. 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.

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

o. 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 2017/18. 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 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.

p. 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 deminimus 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.

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:

- 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 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.

q. 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.

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.

r. 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.

s. 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.

t. 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.

u. Rounding

The Council accepts that minor rounding differences of between £1k and £2k may occur within its Statement of Accounts, these amounts are not material and the Council does not intend to alter any totals where this occurs.

		Part One
AUDIT COMMITTEE		(D) Agenda Item 17
Date of Meeting:	22nd March, 2018	
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 15**.

The Chairman’s response is attached as **Appendix 16** 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



Councillor Anne Burns
Chair of Audit Committee
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16 February 2018

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Dear Councillor Burns,

**Barrow Borough Council: Financial Statements for the Year End 31 March 2018 -
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?

Chartered Accountants

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- 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 22 March 2018. 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 2018 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

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Barrow Borough Council – 2017/18 Response from 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?	
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 Audit Committee 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 2017?	
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?	

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 is the Audit Committee 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 2017?	
What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?	
Are 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?	

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Our Ref: SMR/AB

Contact Name: Susan Roberts

Date: ##/04/2018

Your Ref: -

Dear Neil

**Barrow Borough Council Financial Statements for the Year End 31 March 2018
Understanding how the Audit Committee gains assurance from management**

Thank you for your letter of the 16th February, 2018, 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/or/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 – 2017/18 Response from Audit Committee Chair

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>
<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>

Auditor Question	Response
	<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>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</p>

Auditor Question	Response
	<p>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>
<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 Audit Committee 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</p>

Auditor Question	Response
	committee charged with governance.
What arrangements are in place to report fraud issues and risks to the Authority?	<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>
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 2017-2018; non-fraud concerns are also reported to the Fraud Hotline.
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 2017?	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.
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?	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.

Laws and regulations

Auditor Question	Response
<p>What arrangements does the Authority have in place to prevent and detect non-compliance with laws and regulations?</p>	<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>
<p>How is the Audit Committee provided with assurance that all relevant laws and regulations have been complied with?</p>	<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>
<p>Have there been any instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2017?</p>	<p>There have been no instances of non-compliance or suspected non-compliance with law and regulation since 1 April 2016.</p>
<p>What arrangements does the Authority have in place to identify, evaluate and account for litigation or claims?</p>	<p>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.</p>
<p>Are there any actual or potential litigation or claims that would affect the financial statements?</p>	<p>There are no actual or potential litigation or claims that would affect the financial statements.</p>
<p>Have there been any reports from other regulatory bodies, such as HM Revenues and Customs, which indicate non-compliance?</p>	<p>There have been no reports from other regulatory bodies that indicate non-compliance.</p>

		Part One
AUDIT COMMITTEE		(D) Agenda Item 18
Date of Meeting:	22nd March, 2018	
Reporting Officer:	Director of Resources	
<p>Title: Audit Committee Work Plan</p> <p>Summary and Conclusions:</p> <p>This report sets out the Work Plan for the Audit Committee for 2018-2019.</p> <p>Recommendations:</p> <p>To agree the Work Plan for 2018-2019.</p>		

Report

The Audit Committee Work Plan is set out in **Appendix 17** and will be the basis for the agenda of the meetings in 2018-2019.

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.

Amendments to the Work Plan compared to 2017-2018 are:

- Draft Annual Governance Statement item removed; and
- Governance monitoring item removed.

These items are covered by the Local Code of Corporate Governance and final Annual Governance Statement, when presented.

Members are recommended to agree the Work Plan for 2018-2019.

Background Papers

Nil



Audit Committee Work Plan 2018-2019

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 2018-2019



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	Annual Governance Statement	✓			
To consider and monitor corporate governance arrangements.	Corporate Support Manager	Code of Corporate Governance Annual Review				✓
		Monitoring 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		✓		

		<u>Part One</u>
AUDIT COMMITTEE		(D) Agenda Item 19
Date of Meeting: 22nd March, 2018		
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 the 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.

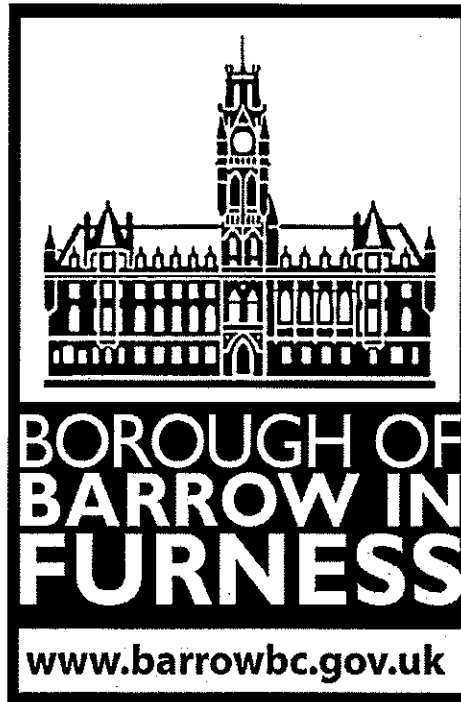
The framework is designed as a reference document for those who develop governance codes for the public sector when updating and reviewing their own codes. The framework provides a shared understanding of what constitutes good governance in the public sector.

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 21st March, 2018 (**Appendix 18**).

Background Papers

Nil.



Local Code of Corporate Governance

Version Control:	
Document Name:	Local Code of Corporate Governance
Version:	Version 3.0
Author:	Corporate Support Manager
Approved by:	Audit Committee
Date Approved:	March 2018
Review Date	February 2019

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.

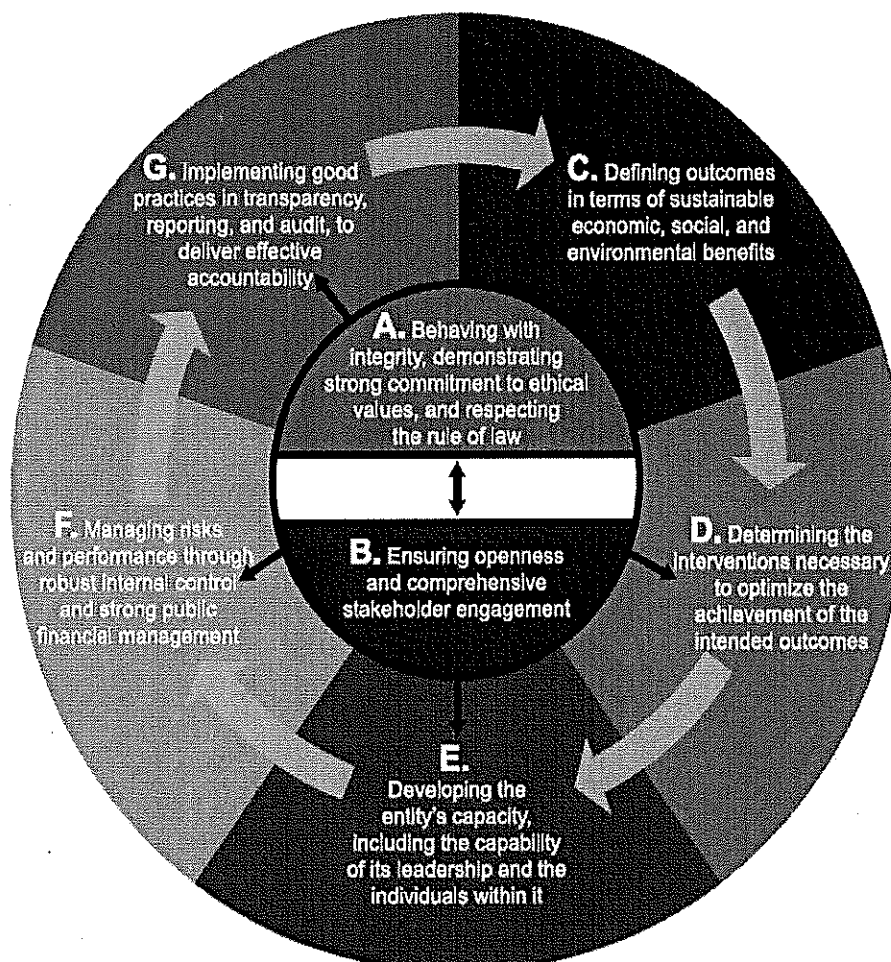
In local government the governing body is the full Council. Our Local Code of Corporate Governance is the document that sets out the framework within which the Council conducts its business and affairs; it is based on seven principles of good governance.

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 2018

- 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 residents 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 who audit all departments on a rolling basis to give assurance that staff are aware of and comply with the council's policies.
- 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 if 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 can be effectively dealt with through the Audit Committee.

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. The Council Plan went out for public consultation in 2017.

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 1" 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, this is by supported 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 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 residents 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 publish information on the Council's financial statements as well as information about outcomes, achievements and how they relate to stakeholders input. These are reported to Management Board and the Executive Committee on a regular basis.

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 Vision and supports the priorities and a Workforce Strategy which demonstrates how we will develop the capability and capacity to deliver the priorities. We will review these documents on a regular basis to ensure they reflect the vision of the Council.

Defining outcomes

By having a clear vision and an agreed formal statement of the Council's purpose and intended outcomes which contains appropriate performance indicators, to 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.

- As previously stated 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 those 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 also be found published documents including the Budget Strategy, the Council's Priorities and the Council Plan.

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 residents. We assess the risks of not achieving those outcomes and ensure that there are mitigating actions in place to support the achievement of intended outcomes. The Council's financial management arrangements ensure that there is adequate resource available to deliver those outcomes. The Council reviews progress against delivering those outcomes through its performance management arrangements.

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 residents.

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 performance.

- 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.

Local Code of Corporate Governance 2018

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

We provide senior managers and Members with timely financial and performance information.

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

- 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.

- Ensuring the budgeting process is all-inclusive, taking into account 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.

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.

Local Code of Corporate Governance 2018

- Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive 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.
 - 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.

The revised Member Development Strategy was agreed by the Executive Committee in March 2018.

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.

Local Code of Corporate Governance 2018

- 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 1” 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 functions.

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 provides 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 report to the Audit Committee on a quarterly basis.

We maintain an effective Audit Committee and scrutiny functions 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 audited 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 longer term views 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.

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.

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- 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 function 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 managed as part of 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
- A review of assurance by the Governance Group
- 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

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from the year being reviewed.

The Annual Governance Statement also assesses the effectiveness and application of the Local Code of Governance and identifies any necessary changes and makes 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.

AUDIT COMMITTEE	(D) Agenda Item 20
Date of Meeting: 22nd March, 2018	
Reporting Officer: Corporate Support Manager	
<p>Title: Monitoring Internal Audit Reports</p> <p>Summary and Conclusions:</p> <p>Update on the implementation of recommendations from Internal Audit reports where the Audit Conclusion was Restrict Assurance.</p> <p>Recommendations:</p> <p>Members are invited to consider the report and determine whether further action is required.</p>	

Report

Internal Audit undertakes reviews of Council's systems as defined in the annual audit plan. The audit conclusion may be Restricted Assurance where significant weaknesses are identified. This may be as a result of Priority 1 Recommendations or because the Audit Conclusion may also be Restricted Assurance if there are a significant number of important issues.

At the last meeting of this committee there were eight Audit Reports where the Audit Conclusion was Restricted Assurance.

Many of the issues were related to contracts and procurement and Management Board agreed an action plan to deliver improvements. Following the departure of the Contract and Procurement Officer Management Board have reassessed the action plan:

- The progress against individual contract checklists is being monitored by the contract working group. The remit of this group will be reviewed to ensure that there is an effective process in place.
- The role of the vacant Contract and Procurement Officer's post has been reviewed by Management Board who agreed that we should focus on delivering the benefits of procurement by recruiting a purchasing officer who will support officers with all procurement as required ensuring compliance with the Purchasing Guide. They agreed the chest should be used for procurement where appropriate; the Purchasing Officer shall decide on the appropriateness.

- Management Board will target departments who routinely fail to comply with the purchasing guide.
- The Purchasing Procedure has been amended to state that the threshold limits in the guide apply to orders in a 12 month period. The Head of Internal Audit to be invited to Contract Working Group meetings on an exceptions basis to assist in resolving complex matters.
- Senior managers will monitor the implementation of agreed recommendations through regular one to one meetings or the appraisal process.

Other issues related to previous recommendations not being implemented. I actively monitor the implementation of these recommendations and provide updates on an exceptions basis.

Robust arrangements for monitoring the use of leased vehicles have been implemented. Vehicle tracking and drivers identification devices have now been fitted and the position of vehicles is being monitored by the Administration and Parking Services Manager.

Background Papers

Nil

		Part One
AUDIT COMMITTEE		(D) Agenda Item 21
Date of Meeting:	22nd March, 2018	
Reporting Officer:	Corporate Support Manager	
<p>Title: Risk Management</p> <p>Summary and Conclusions:</p> <p>Provide Members with amendments to the Council's Risk Registers for 2017/18.</p> <p>Recommendations:</p> <p>To note the report.</p>		

Report

The Council's Risk Registers were presented Management Board at the meeting of 20th December, 2017 and there have not been any changes.

The Risk Register and the Operational Risk Register are attached at **Appendices 19** and **20**.

Background Papers

Nil

Threat description and reference	Likelihood	Impact	Score	Potential impact	Mitigating actions	Responsible Officer	Likelihood	Impact	Score
<p>Corporate 1 2017/1 Legislative changes will impact on the Housing Revenue Account income.</p>	5	5	25	<p>Imposed 1% rent reduction year on year for 3 years. (est total loss in budget of c10% over the 3 years)</p> <p>- welfare reform changes, in particular the continued impact of the bedroom tax, and the implementation of universal credit.</p> <p>There has also been a significant increase in the number of "Right to Buy" applications which are generally for larger properties and is impacting on the our ability to manage tenancies. 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 has drafted its next Business Plan which will agree The Service will deal with The threats to income over The next three 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 2017/2 Future financial stability and sustainability of the Council.</p>	5	5	<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 2019-20 projected £2.7m deficit which has increase because of the New Homes Bonus will be reduced through the next Budget Strategy.</p> <p>Future subsidy of the Forum; now excluded from outsourcing.</p>	<p>The Council's Medium Term Financial Plan has been projected out to 2019-2020 and will be aligned to the Council's Plan and presented to the Executive Committee. 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.</p> <p>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.</p> <p>The impacts of the Budget Strategy will be closely monitored by Management Board, including the impacts on the workforce. The Council has a Workforce Strategy which provides a clear commitment to employees.</p> <p>Along with the Budget Strategy, the Council will review and publish its Plan, Priorities and Objectives for the coterminous period.</p> <p>The Council is somewhat limited in the additional external funding it can access, but wherever possible bids are submitted where grants are available; this is for projects and not for sustainable services. In order to maximise the grant funding brought into the Borough, the Council increasingly works with other organisations to draw funding in; in most cases taking on the role of accountable body.</p> <p>Council agreed full service and use of facility review to significantly reduce subsidy.</p>	Executive Director and Director of Resources	5	4	20
<p>Corporate 3 2017/1 Failure of external partner, service providers or contractors</p>	3	5	<p>This is likely to result in the suspension of some service while alternative service providers are identified</p>	<p>The Council monitors the position of service providers through regular client meetings and will undertake company checks on our contractors</p> <p>The Council retains the intellectual property and assets that will support continuity of services</p>	Management Board	3	4	12
<p>Corporate 4 2017/2 Level of sickness worsens</p>	4	4	<p>A significant increase may impact on the Council's capacity to deliver services.</p> <p>An increase in sickness absence may result in the need for temporary staff thereby increasing costs.</p>	<p>The Council put a number of measures in place in 2016/17 which have contributed to reducing the current levels of sickness. Details of sickness management will be reported to Management Board on a quarterly basis.</p> <p>Sickness in Q1 of 2017/18 has increased, largely related to long-term personal stress; the current counselling service offered by the Council will be reviewed.</p>	Director of Resources	3	4	12

<p>Corporate 5 2017/1 Impact of Welfare Reform changes</p>	<p>4</p>	<p>4</p>	<p>4</p>	<p>16</p>	<p>This has had an impact on the Housing Revenue Account as detailed in risk Corporate 1 2017/1 above. An increasing number 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. The Council provides financial support to Citizens Advice Bureau and the Barrow and District Disability Association to continue to provide welfare benefits advice until 2020.</p>	<p>Management Board</p>	<p>4</p>	<p>3</p>	<p>12</p>
<p>Corporate 6 2017/1 Delivery of the water front regeneration programme</p>	<p>4</p>	<p>4</p>	<p>4</p>	<p>16</p>	<p>Failure to deliver the programme will damage the profile of Barrow as a place to live and work. There is currently an active market in private sector residential development which would make the Marina Village of interest to private sector developers.</p>	<p>The Council is committed to complete the site assembly. The project can progress in phases subject to the availability of funding. The first access into the site has obtained planning permission and construction has started. The Council has entered into discussions with the Home and Communities Agency to bring forward the site as a development priority for Cumbria.</p>	<p>Executive Director</p>	<p>3</p>	<p>3</p>	<p>9</p>
<p>Corporate 7 2017/1 Maintain H&S arrangements and target services for improvement.</p>	<p>2</p>	<p>5</p>	<p>10</p>	<p>Members of the public and Council employees could be put at risk by Council operations</p>	<p>The establishment of the Technical Services Team and the Health & 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. The Council has been advised on risk mitigation by its insurers Zurich Mutual and has agreed a corporate inspection policy and action plan to improve the inspection of properties.</p>	<p>Executive Director</p>	<p>2</p>	<p>3</p>	<p>6</p>	

<p>Corporate 8 2017/2 Capacity to undertake statutory inspections, investigations and enforcement action.</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. Ongoing recruitment issues in Environmental Health may impact delivery times.</p>	<p>Assistant Director - Regeneration and Built Environment</p>	<p>4</p>	<p>4</p>	<p>16</p>
<p>Corporate 9 2017/1 Information Technology security breach</p>	<p>4</p>	<p>20</p>	<p>Corrupt systems and loss of data. Withdrawal of Public Sector Network access. System downtime impacting on service delivery. Low level issues are being identified as risks during the annual testing and the resource requirement for achieving PSN compliance is increasing as a result.</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. IT Services will continue to Review ICT Security and update systems as required. IT Services will also provide training and advise to minimise the risks.</p>	<p>Director of Resources</p>	<p>2</p>	<p>3</p>	<p>6</p>
<p>Corporate 10 2017/1 Effective workforce planning</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 2017/1 Incidents of fraud, bribery or corruption</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 2017/1 Major incident affecting service delivery</p>	1	5	5	Widespread damage due to fire, flooding or severe weather.	Business continuity plan. Contingency plans. access to Council systems	Remote	Executive Director	1	4	4
<p>Corporate 13 2017/1 Major incident affecting ICT systems</p>	1	4	4	Damage to Council's ICT infrastructure due to fire or flooding. Failure of ICT systems may adversely affect service delivery.	Disaster recovery plan Business continuity plan. Contingency plans. access to Council systems Offsite replicate server has been established.	Remote	Director of Resources	1	3	3

Operational risks December 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
Operational 1 2017/2 Not having adequate staffing to deliver key services.	4	5	20	Key services, including statutory services and demand led services cannot be delivered or delivered at an unacceptably low level.	<p>The many customer facing services have been contracted out and therefore staffing lies with the contractor. Housing are still in house and we will manage staffing levels.</p> <p>It is anticipated that we will have outsourced the Park Leisure Centre by 1st August 2018.</p> <p>Management Board co-ordinate leave to ensure that senior management is available.</p> <p>Staff holiday planning is undertaken by the managers within departments.</p> <p>Consultancy services are used where unplanned absences will result in statutory services being adversely affected. The Council has also agreed mutual aid arrangements for professional support with other local authorities.</p>	Management Board	3	4	12
Operational 2 2017/1 Access to operational buildings.	2	5	10	Key services, including statutory services and demand led services cannot be delivered.	<p>The Council has a Business Continuity Plan.</p> <p>Services that are contracted out do not depend on the Council's premises being accessible.</p> <p>The leisure services are not statutory - no access would be inconvenient and prevent users from enjoying the facilities.</p> <p>Key back office functions performed in the Town Hall can be carried out from other operational buildings.</p> <p>There are several key holders for each operational building.</p>	Executive Director	1	3	3

Operational risks December 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
Operational 3 2017/1 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 2017/1 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 2017/1 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 December 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
Operational 6 2017/1 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	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 2017/1 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. A complete cremator replacement is planned for 2018/19. 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 2017/1 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 December 2017

Threat	Likelihood	Impact	score	Potential impact	Mitigating actions	Responsible	Likelihood	Impact	score
Operational 9 2017/1 Significant breach of the Council IT network	4	5	20	<p>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.</p> <p>Infection of the Council's network by malicious viruses which may prevent the Council carrying its normal duties.</p> <p>The Council loses access to the Public Sector Network which increase operating costs and impact on us delivering Council services effectively.</p>	<p>The Council has implemented the controls required to comply with the Public Sector Network requirements including robust penetration testing to identify and address weaknesses.</p> <p>Installation of Semantec mail filtering, Bloxx web filtering, robust firewalls, antivirus software.</p> <p>Third party support which includes installing up to date versions and patches to reduce the risk of unauthorised access or infections.</p> <p>E-learning programme on IT security for all staff</p>	IT Team Manager	2	3	6
Operational 10 2017/1 Significant system failure	2	3	6	<p>Unable to effectively conduct normal business activities.</p> <p>Loss of historical work and data.</p> <p>Failure to meet deadlines</p>	<p>On-going monitoring of system performance.</p> <p>Disaster recovery arrangements in place with off-site real time replication of data.</p> <p>External support and maintenance contacts in place with appropriate Service Level Agreements</p>	IT Team Manager	1	3	3
Operational 11 2017/1 Unmanaged access to Council network	3	2	6	<p>Uncontrolled interventions which may inadvertently impact on the Council's network leading to system downtime.</p>	<p>Change control procedure in place. External access by third parties is risk assessed.</p>	IT Team Manager	1	2	2