

AGENDA

Audit Committee

Wednesday, 26 September 2018 AT 10:00
In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG

A training session for Members of the Committee on financial reporting and monitoring, and budget setting process will commence at 9.15 am in the Flensburg Room

Apologies for Absence

To receive apologies for absence and notification of substitutions.

Declarations of Interest

Members are invited to declare any disclosable pecuniary interests, other registrable interests and any interests, relating to any items on the agenda at this stage.

Public and Press

To agree that the items of business within Part A of the agenda should be dealt with in public and that the items of business within Part B of the agenda should be dealt with in private.

Minutes

5 - 24

To note that Council, on 11 September 2018, received and adopted the Minutes of the meetings held on 9 and 30 July 2018.

The Minutes will be signed by the Chairman.

[Copy Minutes in Minute Book Volume 45(2) / herewith]

PART A

To be considered when the Public and Press are present

A.1 MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL 25 - 42

The Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 26 July and 6 September 2018 are submitted for information.

(Copy Minutes herewith)

A.2 EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE 43 - 56

Grant Thornton to present their progress and sector update report - September 2018.

(Copy Report herewith)

A.3 ANNUAL AUDIT LETTER 2017/18 57 - 72

To receive Grant Thornton's Annual Audit Letter for the year ending 31 March 2018.

(Copy Letter herewith)

A.4 INTERNAL AUDIT PROGRESS QUARTER 2 - 2018/19 73 - 92

The Chief Finance Officer to submit a report providing an overview of the work carried out by Internal Audit to the second quarter of 2018/19, together with information on progress against the agreed audit plan, performance indicators and previous audit recommendations.

(Copy Report RD.21/18 herewith)

The undernoted Final Audit Reports are submitted for consideration:

Audit of Smarter Service Delivery 93 - 106

<u>Audit of Noise Pollution Complaints (Environmental Health)</u>	107 - 118
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<u>Audit of Sands Centre Redevelopment (Governance Arrangements)</u>	119 - 126
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<u>Audit Follow Up of The Old Fire Station</u>	127 - 158
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(Copy Reports herewith)

A.5 <u>TREASURY MANAGEMENT: APRIL TO JUNE 2018</u>	159 - 174
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The Chief Finance Officer to submit a report providing the regular quarterly summary of Treasury Management Transactions. The Executive considered the matter on 20 August 2018.

(Copy Report RD.20/18 and Minute Excerpt herewith)

PART B

To be considered when the Public and Press are excluded from the meeting

- NIL -

Members of the Audit Committee

Conservative - Bainbridge, Higgs, Mrs Mallinson (Vice-Chairman), Christian (sub), Earp (sub), Layden (sub)

Labour – Carrigan, Patrick, S Sidgwick, Coleman (sub), Mrs Ellis-Williams (sub),

Independent - Bomford (Chairman), Tinnion (sub)

Enquiries to:

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MINUTES OF PREVIOUS MEETINGS
AUDIT COMMITTEE

MONDAY 9 JULY 2018 AT 10.00 AM

PRESENT: Councillors Bainbridge, Bomford, Carrigan, Layden (as substitute for Councillor Higgs), Mrs Mallinson, Patrick and Sidgwick (S)

OFFICERS: Corporate Director of Governance and Regulatory Services
Chief Finance Officer
Deputy Chief Finance Officer and Designated Head of Internal Audit
Principal Auditor
Policy and Communications Manager
Information Governance Manager

ALSO

PRESENT: Associate Director (Grant Thornton) (until 10.38 am)
Engagement Manager (Grant Thornton) (until 10.38 am)
Deputy Leader, and Finance, Governance and Resources Portfolio Holder (until 11.14 am)

AUC.26/18 APPOINTMENT OF CHAIRMAN

The Corporate Director of Governance and Regulatory Services welcomed all those present to the first meeting of the Audit Committee in the current Municipal Year. He indicated that the first item of business was to appoint a Chairman of the Committee for the 2018/19 Municipal Year and sought nominations in respect thereof.

Councillor Mrs Mallinson moved and Councillor Bainbridge seconded that Councillor Bomford be appointed Chairman of the Audit Committee for the 2018/19 Municipal Year.

Councillor Sidgwick (S) moved and Councillor Carrigan seconded that Councillor Patrick be appointed Chairman of the Audit Committee for the 2018/19 Municipal Year.

Following voting, it was:

RESOLVED – That Councillor Bomford be appointed Chairman of the Audit Committee for the 2018/19 Municipal Year.

Councillor Bomford thereupon took the Chair.

AUC.27/18 APPOINTMENT OF VICE-CHAIRMAN

The Chairman sought nominations with regard to the appointment of a Vice-Chairman of the Committee.

Councillor Bainbridge moved and Councillor Layden seconded that Councillor Mrs Mallinson be appointed Vice-Chairman of the Audit Committee for the 2018/19 Municipal Year.

Councillor Sidgwick (S) moved and Councillor Carrigan seconded that Councillor Patrick be appointed Vice-Chairman of the Audit Committee for the 2018/19 Municipal Year.

Following voting, it was:

RESOLVED – That Councillor Mrs Mallinson be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2018/19.

Discussion ensued, with input from the Deputy Leader, and Finance, Governance and Resources Portfolio Holder and certain Members of the Committee, during which the importance of the impartiality of the Chairman was emphasised.

Councillor Sidgwick (S) expressed thanks and appreciation to Councillor Patrick for the manner in which she had chaired the Committee over recent years.

AUC.28/18 APOLOGY FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Higgs.

AUC.29/18 DECLARATIONS OF INTEREST

There were no declarations of interest affecting the business to be transacted at the meeting.

AUC.30/18 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

AUC.31/18 MINUTES OF PREVIOUS MEETING

RESOLVED – To note that Council, on 24 April 2018, received and adopted the minutes of the Audit Committee meeting held on 19 March 2018. The minutes were signed by the Chairman.

AUC.32/18 MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL

The Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 22 March and 31 May 2018 were submitted for information.

RESOLVED – That the Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 22 March and 31 May 2018 be noted and received.

AUC.33/18 AUDIT FEE LETTER 2018/19

The Associate Director (Grant Thornton) presented the Audit fee letter for 2018/19, informing Members that the Public Sector Audit Appointments Limited (PSAA) published the 2018/19 scale fees for opted-in bodies in March 2018, following a consultation process. He was pleased to report that individual scale fees had been reduced by 23% from the fees applicable for 2017/18; the City Council's scale fee for 2018/19 having been set at £41,033.

Details of the scope and timing of the work, together with the key Team Members were also provided.

The letter further recorded that from 2018/19 all grant work, including housing benefit certification, now fell outside the PSAA contract, as PSAA no longer had the power to make appointments for assurance on grant claims and returns. Any assurance engagements would therefore be subject to separate engagements agreed between the grant-paying body, the Council and Grant Thornton, and separate fees agreed with the Council.

Whilst the reduction in fees was welcomed, a Member emphasised that quality of work was a main driver for the Audit Committee. She questioned whether, as resources reduced, the Associate Director felt that the necessary level of resources remained in place to complete audit work.

The Associate Director (Grant Thornton) complemented the Member on what was a very good question. He stated that the Member was correct in that Grant Thornton placed great importance upon quality. An interim quality review was undertaken last year with pleasing results; and quality standards would be maintained moving forward. He added that the Committee could take some assurance from the fact that the same Audit Team remained in place.

Consideration was further being given to the manner by which the audit could be undertaken most efficiently; a new methodology would be put in place in 2018/19 to assist Grant Thornton in their work and to give the Committee the necessary assurance around quality standards moving forward.

RESOLVED – That the Audit Committee noted and received the Audit Fee Letter for 2018/19.

AUC.34/18 ANNUAL GOVERNANCE STATEMENT 2017/18

The Chief Finance Officer submitted report RD.07/18 providing the City Council's Annual Governance Statement for 2017/18. The Annual Governance Statement (subject to Audit) had been certified by the Chief Executive, the Leader and herself (in her capacity as Council's S151 Officer), in accordance with statutory requirements, by 31 May 2018 and would be formally approved following completion of the audit process.

The Chief Finance Officer advised that there were no areas of significant weakness which needed to be brought to Members' attention at this time. Arrangements in relation to Records Management (which had previously been identified as a weakness) had now been addressed and had been reported to the Audit Committee throughout the year.

The Audit Manager's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2018 was recorded elsewhere on the agenda (Internal Audit Annual Report).

In terms of the requirements of the updated Good Governance Framework, the Council's Local Code of Corporate Governance had been updated in line with those principles and was approved by the Audit Committee on 27 September 2017. The Good Governance Principles were updated annually to support the Annual Governance Statement and were available upon request if required.

A Member welcomed submission of the Annual Governance Statement, commenting that it was fantastic to see how the Council delivered priorities for the people of Carlisle.

The Member drew attention to page 57 of the document pack which recorded that "The Council has a duty to comply with the key principles contained within the 2010 CIPFA statement of the 'Role of the Head of Internal Audit' and during 2016/17 the Council continued to comply with 5 key principles of the CIPFA statement." The report did not, however, record that the Council had complied with those key principles for 2017/18.

In response, the Chief Finance Officer confirmed that "2016/17" should in fact have read "2017/18", and that would be amended.

Another Member questioned, for clarity, whether the Committee should note the Annual Governance Statement, subject to consideration of the Audit follow up of Records Management later in the meeting.

The Chief Finance Officer was in agreement with that course of action.

The Chairman also welcomed the presentation style of the report which aided readability.

RESOLVED – That the Audit Committee noted the content of the 2017/18 Annual Governance Statement (subject to consideration of the Audit follow up of Records Management later on the Agenda), noting that the Statement would accompany the Annual Statement of Accounts following the audit process.

AUC.35/18 STATEMENT OF ACCOUNTS 2017/18

The Deputy Chief Finance Officer presented report RD.08/18 enclosing the Council's Statement of Accounts 2017/18 (subject to audit) which had been certified by the S.151 Officer in accordance with statutory requirements by 31 May 2018. They would now be subject to audit, which must be concluded by the statutory deadline of 31 July 2018.

The Statements reflected the summarised financial outturn information recently considered by the Executive and Business and Transformation Scrutiny Panel. However, because of the different way in which the Accounts must be produced, it was very difficult to see the outturn figures within the Income and Expenditure Account. A reconciliation between the outturn figures and the net operating expenditure on the Income and Expenditure Account had been prepared and was attached at Appendix 1 for information.

As part of the Council's training programme, training sessions for Members and substitutes of the Audit Committee on the Role of the Audit Committee and scrutiny of the Statement of Accounts process including the Annual Governance Statement had taken place on 21 June and 27 June 2018. Key issues and the practical implications for scrutinising the Statement of Accounts were provided.

The Annual Governance Statement would accompany the Annual Statement of Accounts following the audit process and was included elsewhere on the agenda for consideration. It was a requirement of the 2017 Code that the Annual Governance Statement be considered and approved separately. The Statement of Accounts 2017/18 (subject to audit) was attached at Appendix 2.

Referencing paragraph 3.3, the Deputy Chief Finance Officer summarised the key issues within the Statement of Accounts to which Members' attention was drawn. In particular, he highlighted the items of note relative to the cost of services; the balance sheet; long term assets; current assets; current liabilities; long term liabilities; and the Collection Fund, and provided an explanation on each aspect.

A Member commented upon the dynamic changes made to the Narrative Report, which constituted a good improvement. The inclusion of key risks, which gave the reader a more holistic overview, was particularly pleasing. She also welcomed the more detailed information provided as regards performance indicators.

The Member highlighted the significant issue around the economic climate (page 84) which did not appear to read correctly.

The Deputy Chief Finance Officer replied that the Engagement Manager (Grant Thornton) had already picked up on that point, which would be amended in the final Statement of Accounts.

The Member then asked that the Deputy Chief Finance Officer provide an overview of the critical judgements which had to be made in applying accounting policies.

In response, the Deputy Chief Finance Officer stated that the main judgement related to the high degree of uncertainty around future levels of funding for local government (Section 4.2 referred).

Referring to page 80 of the document pack, the Member questioned whether the underspend of £0.664 million earmarked for carry forward into future years was related to the former Central Plaza Hotel, and whether that building would impact upon the Council's reserves.

The Deputy Chief Finance Officer advised that the £0.644 million was not related to the former Central Plaza Hotel. A report (seeking approval for the use of General Fund Reserve) had been considered by the Executive on 30 May 2018 and was scheduled for consideration by the City Council on 17 July 2018 (ED.23/18).

Another Member echoed the sentiments expressed regarding the presentation of the report and thanked those Officers involved for their work.

A Member sought clarification of the position regarding the pensions liability (page 116 referred).

The Deputy Chief Finance Officer confirmed that the pension fund was revalued every three years, the next review being due in 2020. Consideration would be given to the factors which affected the fund and potential refinancing thereof.

The Chief Finance Officer added that Cumbria County Council was the administering body and, as such, set the deficit recovery period. The City Council could, however, make a decision to reduce this recovery period depending upon financial circumstances.

RESOLVED – That the Audit Committee:

- (1) Noted the 2017/18 Statement of Accounts, which had been certified as giving a true and fair view by the Chief Finance Officer, and would now be subject to audit.
- (2) Noted that the Annual Governance Statement would be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2015.

The Deputy Chief Finance Officer also submitted the following reports for information:

(a) Provisional General Fund Revenue Outturn 2017/18

Report RD.03/18 summarising the provisional outturn for the General Fund Revenue Budget and providing reasons for variances. The outturn position showed a net underspend of £1,539,526 for Council Services as at 31 March 2018. Requests had been made to carry forward committed expenditure of £663,800 and net transfers to reserves of £1,276,247 which, if approved, would result in an overspend of £400,521; however additional funding from Business Rates income of £1,336,000 had also been realised.

The Executive and the Business and Transformation Scrutiny Panel had considered the matter on 30 May and 31 May 2018 respectively and the decisions were set out in Minutes EX.38/18 and BTSP.41/18(a).

(b) Provisional Capital Outturn 2017/18 and Revised Capital Programme 2018/19

Report RD.04/18 summarising the 2017/18 provisional outturn for the capital budget and providing details of the revised capital programme for 2018/19. The out-turn showed that the net overspend for Council Services as at 31 March 2018 once committed expenditure totalling £2,091,900 was taken into account was £43,196.

The Executive and the Business and Transformation Scrutiny Panel had considered the matter on 30 May and 31 May 2018 respectively and the decisions were set out in Minutes EX.39/18 and BTSP.41/18(b).

RESOLVED – That Reports RD.03/18 and RD.04/18, together with the references from the Executive, and Business and Transformation Scrutiny Panel, be noted.

AUC.36/18 TREASURY MANAGEMENT OUTTURN 2017/18

The Deputy Chief Finance Officer submitted the Annual Report on Treasury Management (RD.05/18), as required under both the Financial Procedure Rules and CIPFA Code of Practice on Treasury Management. The regular report on Treasury Transactions for the period 1 January 2018 - 31 March 2018 was also submitted.

The Deputy Chief Finance Officer highlighted, in particular:

- That the financial year began with bank rate at 0.25%, which had increased to 0.50% in November 2017 and remained at that level for the remainder of 2017/18
- Investment income in 2017/18 at £223,670 was below the original estimate of £262,400 (paragraph 6.4 referred)
- the good performance of the CCLA Property Fund
- the various performance statistics included within the report

The Executive and the Business and Transformation Scrutiny Panel had considered the matter on 30 May and 31 May 2018 respectively and the decisions were set out in Minutes EX.40/18 and BTSP.41/18(c).

The Deputy Chief Finance Officer then responded to Members' questions in the following terms:

- The colour coding used on page 260/261 of the document pack represented the duration of investment recommended by Link Asset Services, the Council's Treasury Management Advisors
- Officers gave consideration to cash requirements and tried to achieve best return for the authority
- The outlook for interest rates in the UK remained uncertain, however, there was a general expectation that bank base rates would start to rise again during 2018.

A Member was pleased to see that the Property Fund was performing so well, commenting upon the prudent decision to invest therein. She further commended the Financial Services Team for their work over the year.

RESOLVED – That Report RD.05/18 be noted and received.

The Associate Director and the Engagement Manager (Grant Thornton)
retired from the meeting

AUC.37/18 INTERNAL AUDIT PROGRESS FINAL 2017/18

The Principal Auditor submitted report RD.09/18 providing an overview of the work carried out by Internal Audit since the previous Audit Committee (19 March 2018) to the end of the 2017/18 financial year.

There were four full audit reviews and three follow up reviews for consideration by Members: Audit of Payroll including Salary Sacrifice Schemes; Audit of Income Management and Cash Collection; Audit of Debtors; Audit of Business Continuity Planning; Audit follow up of Performance Management; Audit follow up of Physical Security of Premises; and Audit follow up of Building Maintenance.

The Internal Audit resource had also been utilised to perform a brief review of the Council's use and administration of the Supporting People Grant received from Cumbria County Council. The grant was found to be appropriately utilised and relevant obligations were being met by the Council.

In terms of risks, the Principal Auditor reported that findings from the individual audits would be used to update risk scores within the audit universe. All audit recommendations would be retained on the register of outstanding recommendations until Internal Audit was satisfied that the specific risk exposure was being managed.

The Principal Auditor then outlined each of the above mentioned audits in turn highlighting, in particular, the key points and associated recommendations.

Members raised the following questions and observations during their consideration of the completed audit reviews:

Audit of Payroll including Salary Sacrifice Schemes (Substantial Assurance Opinion)

- *A Member noted the confirmation provided by the Principal Auditor that recommendation 2 (the personal data currently stored in an unsecure filing cabinet should be held securely and locked away when the office is empty) had been actioned, and questioned whether that had been addressed across the authority.*
- *Another Member expressed surprise at the 31 March 2019 implementation deadline for that recommendation.*

The Principal Auditor reiterated that the audit review related specifically to Payroll and that the recommendation had now been achieved.

Audit of Income Management and Cash Collection (Reasonable Assurance Opinion)

- *The audit scope referenced the need to comply with legislation, including Payment Card Industry (PCI) security standards. Were revisions necessary for contactless payments?*

The Designated Head of Internal Audit explained that, for payment cards, Civica hosted on the Council's behalf and systems were in place to ensure compliance with security standards. Civica had provided assurance that they were storing information securely.

- *Recommendation 4 (Management should ensure that an additional set of safe keys for the safe within the strong room are obtained and retained in a secure location). Had a set of keys gone missing and, if so, should consideration be given to changing the locks?*

The Chief Finance Officer appraised Members of the background position, confirming that spare keys had been obtained and were located in a secure environment.

Audit of Debtors (Reasonable Assurance Opinion)

- *Recommendation 2 (Management should develop performance indicators to measure the performance of the debtors function) was to be welcomed.*
- *The changes to Universal Credit would have an impact. Had that been taken into account as part of recommendation 4 (... Access to personal information should be suitably restricted and records that are no longer required (in line with retention policies) should be confidentially destroyed)?*

The Principal Auditor replied that information would be retained within the Revenues Department, which had security checks in place.

- *The Audit demonstrated the benefits of undertaking audit reviews; some of the recommendations being pertinent across the authority. Other departments should take notice thereof.*
- *Although it was accepted that access to both the building and offices was restricted, this was the second audit which had identified the retention of paperwork in unlocked filing cabinets. Was this an issue across the Council?*

A Member suggested that a recommendation be made to senior management that lockable cabinets were put in place prior to audit reviews being undertaken.

In response, the Principal Auditor advised that an Information Governance Manager had now been appointed and Internal Audit would be working closely with the officer. Every audit would look in detail at information management.

The Corporate Director of Governance and Regulatory Services indicated that a structure of enabling / empowering staff was in place within the authority. Managers were being trained in GDPR and document security was only one aspect of the requirements. They were responsible in their own work area.

A Member welcomed the appointment of the Information Governance Manager whose roll would be to provide advice on GDPR compliance.

The Chief Finance Officer added that a general e-mail could be circulated to all staff by way of a reminder regarding the secure storage of information, which course of action was welcomed.

Audit of Business Continuity Planning (Reasonable Assurance Opinion)

- *A Member welcomed the further work planned to develop business continuity procedures, together with the establishment of a Cumbria-wide resilience group. She considered it to be of critical importance that cyber security was addressed in Cumbria.*
- *How many Critical Service Recovery Plans (CSRP) were in place within the authority?*

The Policy and Communications Manager stated that approximately 19 CSRs were now in place. A county-wide exercise on pandemic flu had just been completed. The learning therefrom would be used in order that the benchmark of 'critical' was the same across the board.

Audit follow up of Performance Management (Substantial Assurance Opinion)

- *Since the last audit significant progress had been made in all areas of performance management. A Member acknowledged the hard work undertaken by the Policy and Communications Manager which had resulted in the positive and substantial assurance opinion now being reported.*

Audit follow up of Physical Security of Buildings (Substantial Assurance Opinion)

- *A Member requested that the good work undertaken in achieving a substantial assurance opinion be noted.*
- *The audit findings summary recorded that "There has been regular communications to staff during the year regarding building security and signage has been introduced to reinforce this message."*

The Corporate Director of Governance and Regulatory Services explained the background to the original audit of Physical Security of Premises, which was a planned audit assignment undertaken in accordance with the 2016/17 audit plan.

In response to a question, the Corporate Director further informed Members that safeguards would be built into the contract for the ground floor flood reinstatement works, and that the new signage emanated from meetings with Cumbria Constabulary's Anti-terrorism advisor.

Audit follow up of Building Maintenance (Reasonable Assurance Opinion)

The Corporate Director of Governance and Regulatory Services reiterated his thanks to the Audit Team for a helpful and co-operative piece of work in that area which had led to some good improvements.

- *A Member noted that one of the recommendations within the original Management Action Plan was that management should ensure that appropriate arrangements were established to plan, record and monitor property condition surveys. He sought clarification as regards the process for buildings not owned by the City Council e.g. the former Central Plaza Hotel.*

The Corporate Director of Governance and Regulatory Services replied that, although the City Council had a statutory obligation in terms of public safety for the former Central Plaza Hotel, the authority did not monitor other people's premises, that being their responsibility.

RESOLVED – That the Audit Committee:

- (1) Noted the progress on the 2017/18 Audit Plan as detailed in Report RD.09/18.
- (2) Received the final audit reports as outlined in paragraph 2.1, subject to the following:

Audit of Debtors

The Chief Finance Officer be requested to arrange for the circulation of a general e-mail to all staff providing guidance on the secure storage of information.

Audit follow up of Performance Management

The Committee welcomed the substantial assurance opinion given in response to the audit; and the excellent work undertaken by the Policy and Communications Manager.

Audit of Physical Security of Premises

The good work in achieving a substantial assurance opinion was noted by the Committee.

AUC.38/18 INTERNAL AUDIT ANNUAL REPORT 2017/18

The Designated Head of Internal Audit submitted report RD.11/18, the purpose of which was to give his opinion on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31 March 2018.

The Designated Head of Internal Audit's opinion was that, based on the completed audit work, Carlisle City Council's overall framework of governance, risk and internal control was reasonable and audit testing had confirmed that controls were generally working effectively in practice. He could confirm that Internal Audit had maintained its independence during the year.

In his dual role as Deputy Chief Finance Officer and Designated Head of Internal Audit, he could further confirm that his independence and that of Internal Audit had not been in any way diminished by that working arrangement (the recent External Quality Assessment confirmed that suitable arrangements were in place to maintain audit independence).

The Designated Head of Internal Audit summarised the position following changes to the Internal Audit Plan approved by the Committee during the year; there were 24 risk-based audits in the revised 2017/18 plan all of which had been completed. It was his opinion therefore that sufficient audits had been completed such that he could provide an overall audit opinion. Details of the overall / other assurances were recorded at paragraphs 2.9 and 2.10, with the audit work completed over the year being provided at Appendix A.

The Designated Head of Internal Audit also explained that the risk based approach was designed to ensure that all internal audit work was conducted in accordance with the Public Sector Internal Audit Standards. All audit work had been conducted in line with the agreed audit methodology and had been subject to Quality Assurance checks by internal audit management.

A set of performance indicators was established and agreed by the Audit Committee to enhance performance monitoring arrangements. The Audit Committee had received progress against those performance measures as part of the in-year reporting arrangements and Appendix B summarised the year-end performance against those.

The Internal Audit team was subject to an external quality assessment of their compliance with the Public Sector Internal Audit Standards in April 2018 (in relation to the process adopted for 2017/18). The assessment found that the department conformed with all the standards.

Information on risk management was also provided at Section 3 of the report.

Members commented upon the good, clear and concise nature of the report. The use of colour coded charts was particularly welcomed.

RESOLVED – That the Audit Committee noted:

- (i) The progress achieved in 2017/18 in delivering the Audit Plan and the outcomes of completed audit reviews as set out at Appendix A to report RD.11/18;
- (ii) The Designated Head of Internal Audit's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2018;
- (iii) The Designated Head of Internal Audit's declaration of Internal Audit's independence as required by the mandatory PSIAS;
- (iv) The Designated Head of Internal Audit's declaration of conformance with the mandatory PSIAS;
- (v) The performance of the Internal Audit service as shown at Appendix B.

AUC.39/18 INTERNAL AUDIT PROGRESS QUARTER 1 – 2018/19

The Principal Auditor submitted report RD.10/18 providing an overview of the work carried out by Internal Audit in the first quarter of 2018/19.

Details of progress against the 2018/19 Audit Plan were as shown at Appendix 1. Slightly over a quarter of the planned reviews had been either completed or were currently in progress. That was in line with expectations at this stage of the financial year.

The Principal Auditor advised that two follow up audit reviews had been completed in the first quarter, namely: Records Management and Corporate Charge Card.

The Internal Audit resource was also utilised on the following during Q1:

- A review and update of the audit manual and template documents.
- Internal Control Questionnaires issued to managers responsible for main financial systems not audited in 2017/18 to obtain assurances that suitable controls were in place. No concerns had arisen from the returned responses.
- Grant claim audit of the Growth Deal grant paid by Cumbria County Council. No concerns were identified by the review.
- Facilitation of CIPFA's External Quality Assessment of Internal Audit.

To provide an effective Internal Audit service, there needed to be an effective measure of the performance it achieved. It was proposed to set the indicators identified at paragraph 3.1 for 2018/19. Attention was further drawn to the amendments made to the indicators from 2017/18 identified at paragraph 3.2.

The Principal Auditor informed Members that Internal Audit had reviewed the definitions currently being used for assurance levels and made some minor amendments. Revised definitions were detailed at Appendix 2.

The only significant amendment was to recognise that reasonable assurances could be provided if high graded recommendations were restricted to a limited area of an otherwise reasonably well-established control framework.

Appendix 3 showed a summary position of outstanding audit recommendations and progress made against implementation thereof. Once the agreed implementation date had passed, internal audit would ask the responsible officer for an update of progress. The responses would then be reported to the next available Audit Committee meeting and, if implemented, will be removed from the list so that only outstanding recommendations remained. Where the recommendations related to a partial assurance audit, those would be subject to a formal follow up and would be reported back to Audit Committee separately. New recommendations would be added to the list once final reports were agreed.

The following should be noted:

- 24 recommendations were found to have been fully implemented and were now closed.
- 4 recommendations were found to have been partly implemented and had been replaced by a revised recommendation.
- 1 recommendation had not been implemented and a revised timescale for completion had been proposed.

A Member referenced the change in the control environment in terms of the changed assurance levels, emphasising that it was important that the Audit Committee acknowledged the change and the flexibility it allowed.

The Principal Auditor then outlined the above mentioned follow-up audits in turn highlighting, in particular, the key points and associated recommendations.

Audit follow up of Records Management (Reasonable Assurance Opinion)

The Corporate Director of Governance and Regulatory Services introduced the Information Governance Manager who was a welcome addition to the authority.

- *A Member recognised the significant improvement which had taken place during the last twelve month period and that the weakness in Records Management had been addressed. She stated that the Committee's satisfaction should be formally placed on record.*
- *Training for Members on the Information Governance Policy may be beneficial.*

The Corporate Director of Governance and Regulatory Services advised that the Information Governance Policy was scheduled for submission to the Audit Committee in September 2018. It may therefore be possible to arrange training for Members immediately prior to that meeting.

- *Having given consideration to the audit follow-up of Records Management, the Committee confirmed that they were now content with the Annual Governance Statement 2017/18*

Audit follow up of Corporate Charge Card (Reasonable Assurance Opinion)

- *The Audit findings summary recorded that audit testing had still identified examples where the corporate charge cards were being used by individuals other than the named card-holder. Was that within the authority?*

Another Member commented upon the importance of the necessary checks and balances being put in place to guard against fraud.

The Principal Auditor confirmed that the issue was around a colleague allowing another colleague to use their card. All purchases were, however, now being made on secure websites.

RESOLVED – That the Audit Committee:

1. Noted the progress against the Audit Plan for 2018/19 set out within Report RD.10/18.
2. Received the final audit reports as outlined in paragraph 2.2, subject to:
 - (a) The Committee wished to place on record their satisfaction that the significant weakness in Records Management had now been addressed;
 - (b) Having given consideration to the Audit follow-up of Records Management, the Committee was content with the Annual Governance Statement 2017/18 (Minute AUC.34/18 referred)
3. Noted the revised assurance level definitions outlined in Appendix 2.
4. Noted the progress made on audit recommendations to date outlined in Appendix 3.

AUC.40/18 EXTERNAL QUALITY ASSESSMENT OF INTERNAL AUDIT

The Designated Head of Internal Audit reported (RD.12/18) that the Audit Committee had requested that a review be undertaken on the provision of the Internal Audit Service from April 2017 following the termination of the Audit Shared Service arrangements. Following a procurement exercise the City Council appointed CIPFA to carry out a review in 2018. A preliminary readiness review was carried out in January 2018 and the full review was completed in April 2018, including discussions with Council Officers and the Chair of the Audit Committee.

The full report was provided at Appendix 1.

The Designated Head of Internal Audit explained that the External Audit Assessment included an overall assessment of Internal Audit's compliance with the Internal Audit Standards, applying one of three categories: Generally Conforms; Partially Conforms; Does Not Conform. The overall assessment was based on individual assessments against each standard, using the same criteria.

It was extremely pleasing that Internal Audit (a new / small team) had achieved an overall assessment of "generally conforms", having attained that assessment against each individual standard.

The Principal Auditor informed Members that three recommendations had been made to improve adherence to the standards and seven suggestions to enhance and develop operations. An action plan had been completed to address those. Progress against the action plan would be reported at future audit committees as part of internal audit's quarterly updates.

The report was very positive about the Internal Audit Department's approach and position within the organisation and had been well received by the Internal Audit team.

The following points were raised in discussion:

- A Member commented upon what was a wonderful report and congratulated the members of staff involved for what was a remarkable achievement.

Suggestion 2 – it was suggested that the Designated Head of Internal Audit establishes a formal quality assurance process that included reviewing a sample of completed audits for conformity to the PSIAS and the Service’s audit procedures. The Member asked whether the Committee would have sight thereof for transparency purposes.

In response, the Designated Head of Internal Audit confirmed that he had reviewed files throughout the year on occasions when the Principal Auditor was unable to act, and the information alluded to would be included in his final report at the year end.

- Another Member echoed the comments made and, in so doing, highlighted the improvements to the layout of the report. She felt that audit mapping was really positive.

The Member further referred to the procurement of IT Audit Services and the intention that the cyber security post within the Council would be filled prior to the process for the Internal Audit service.

The Principal Auditor confirmed that was his original intention, but as the post had not been filled he would progress the procurement of IT Audit work independently.

The Chairman echoed Members’ comments on the performance of Internal Audit and looked forward to a fantastic future for the service.

RESOLVED – That the Audit Committee noted the content, outcome and agreed actions specified in Report RD.12/18 (Appendix 1).

AUC.41/18 CORPORATE RISK MANAGEMENT

The Corporate Director of Governance and Regulatory Service reported (CS.29/18) that the Business and Transformation Scrutiny Panel had, on 22 March 2018, considered Report CS.19/18 providing an update on the Council’s risk management arrangements. The Panel had resolved:

“1) That the Corporate Risk Register be welcomed (CS.19/18).

2) That the Business Continuity Plan be added to the Panel’s 2018/19 Work Programme along with some training on the matter.”

Members were reminded that the Corporate Risk Management Group (CRMG) was responsible for delivering and reviewing the Risk Management Strategy, maintaining and improving risk management processes as well as the Council’s Corporate Risk Register.

The City Council’s Risk Management Policy and Risk Management Strategy were under review. That work should be complete by July 2018 and an update would be brought to a future meeting of the Audit Committee for consideration by Members.

In response to questions, the Chief Finance Officer advised that:

- It was anticipated that the Risk Management Policy would be submitted to Committee by the end of September 2018.
- An appointment had been made, through Local Government Futures, as part of the potential local government funding pilot for 2019/20 in addition to which regular county-wide meetings took place, the aim of which was to secure as much business rate retention as possible in the County.

RESOLVED – That the Audit Committee noted the content of Report CS.29/18 as evidence of the continuing commitment to sound governance arrangements for corporate risk management.

[The meeting ended at 11.44 am]

AUDIT COMMITTEE

MONDAY 30 JULY 2018 AT 10.00 AM

PRESENT: Councillor Bomford (Chairman), Councillors Bainbridge, Carrigan, Higgs, Mrs Mallinson, Patrick and Sidgwick (S)

ALSO

PRESENT: Councillor Dr Tickner, Deputy Leader and Finance, Governance and Resources Portfolio Holder (until 10.35am)
Engagement Lead (Grant Thornton)
Engagement Manager (Grant Thornton)

OFFICERS: Legal Services Manager
Chief Finance Officer
Deputy Chief Finance Officer and Designated Head of Internal Audit

AUC.42/18 APOLOGY FOR ABSENCE

No apologies for absence had been submitted.

AUC.43/18 DECLARATIONS OF INTEREST

There were no declarations of interest affecting the business to be transacted at the meeting.

AUC.44/18 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

AUC.45/18 EXTERNAL AUDIT FINDINGS FOR CARLISLE CITY COUNCIL 2017/18

The Engagement Lead (Grant Thornton) presented a report summarising the key issues arising from Grant Thornton's statutory audit of the City Council's financial statements for the year ended 31 March 2018.

The Engagement Lead was pleased to inform Members that overall the position was very positive. Their findings and audit adjustments were summarised in Appendix C. One error had been identified in the financial statements, which had resulted in a £2.413m adjustment to the Statement of Comprehensive Income and Expenditure (CIES). That error had reduced both income and expenditure, which had no net impact on the Council's surplus. That also required a prior period adjustment to the 2016/17 CIES. Other audit adjustments were detailed in Appendix C; recommendations for management as a result of the audit work in Appendix A; and follow-up recommendations from the prior year's audit detailed in Appendix B.

Subject to outstanding queries being resolved, Grant Thornton planned to issue an unqualified audit opinion on the financial statements with no material primary statement misstatements identified.

In addition, Grant Thornton was satisfied that in all significant respects, the City Council had put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2018.

Attention was further drawn to page 7 of the document pack which detailed the additional powers and duties for local government auditors. Grant Thornton had not required to exercise those statutory functions.

The Engagement Lead reported that the draft financial statements and accompanying working papers had been received well in advance of the 2018 statutory deadline. Prompt responses had also been provided in respect of queries raised. He wished to convey thanks to the authority and, in particular, to the Chief Finance Officer and the Deputy Chief Finance Officer for what had been a fantastic achievement and a significant step forward.

The Engagement Manager provided an overview of the key audit and financial reporting issues as detailed within the report. He drew attention to the key issues arising from the audit and explained the significant audit risks, reasonably possible audit risks and the going concern assumptions.

The Engagement Manager also highlighted the Value for Money key findings and explained that based on the review of the arrangements in place during 2017/18 for the compilation of the Medium Term Financial Plan (MTFP) including identified savings, Grant Thornton concluded that the overall risk was sufficiently mitigated and the Council had proper arrangements in this area. He explained that the Minimum Revenue Provision (MRP) savings included in the MTFP had been reviewed in 2017/18 but the provisions included for 2018/19 would be subject to further work during the year to understand whether they were justified.

The Deputy Chief Finance Officer also welcomed the very positive audit and reciprocated thanks to Grant Thornton for the good working relationship which was in place.

Discussion arose, during which the following observations / questions were raised:

- A Member asked officers to expand on the MRP.

The Deputy Chief Finance Officer responded that the MRP review had been undertaken two years ago by Link Asset Services and the Council had included savings options identified from that report in the MTFP. Officers were confident in the accounting treatment.

- Were Grant Thornton confident with the calculation?

The Engagement Manager confirmed that Grant Thornton were confident with the calculation however further work on the 2018/19 adjustment would be required.

- A Member asked for more detail on the control based methodology and the impact the changes would have on audit.

The Engagement Lead confirmed that Grant Thornton had always used control based methodology however moving forward more reliance would be placed on these which should improve efficiencies and reduce workload with Grant Thornton and Financial Services.

- It was recommended that the Committee forward the Action Plan to the Business and Transformation Scrutiny Panel to inform their scrutiny of the budget.
- What steps were being taken to ensure the authority had a sufficient budget for unknown costs or emergencies?

The Chief Finance Officer explained that the General Fund Reserve included £1m for emergency expenditure and this had been in place for several years. She assured Members

that there were provisions in place to access the money in an emergency. As part of the review of the MTFP it was proposed that the Reserve was increased to £3.3m as the position with regard to Business Rate Retention and the future funding of the authority was uncertain. She reassured Members that the proposed increase would not negatively impact on services.

- Would there be any issues or conflicts if Grant Thornton began tendering for other business with the authority whilst acting as authority's auditors?

The Engagement Lead assured Members that Grant Thornton had to abide by strict ethical standards and were proud of the robust arrangements that were in place. While Grant Thornton were able to tender to provide other financial services to the authority they would be subject to the same procurement procedures as all other businesses.

- Which assets had not been included in the valuation instructions.

The Deputy Chief Finance Officer responded that St James Pavilion (£25,000) and a Home Share Property (£51,000) had not been included. The assets had been classified as different asset types on the Property atabase and the Asset register. This had been corrected and both assets had been recorded correctly.

The Portfolio Holder, on behalf of the Executive, thanked the Financial Services Team and officers for their excellent work and he thanked Grant Thornton for their detailed work and support.

RESOLVED – That the Audit Committee:

(1) Note and receive the very positive External Audit Findings Report for the year ended 31 March 2018.

(2) Welcome the unqualified opinion on both the Financial Statements and the Value for Money conclusion.

(3) Forward the Action Plan to the Business and Transformation Scrutiny Panel to inform their scrutiny of the budget.

(4) Recognise the good work undertaken by the Financial Services Team and officers, and the success in achieving the statutory close down. The Committee was also most appreciative of the contribution of the Engagement Lead and the Engagement Manager (Grant Thornton).

AUC.46/18 STATEMENT OF ACCOUNTS 2017/18

The Deputy Chief Finance Officer submitted report RD.17/18 presenting the Council's Statement of Accounts 2017/18 which had been subject to a two month audit process, (commencing in June and with a statutory deadline date of 31 July 2018).

The Audit was substantially complete with the Auditor's Audit Findings Report (ISA260) having been considered earlier in the meeting. That report anticipated providing the Council with an unqualified opinion on both the Accounts and the VFM conclusion. It also detailed any issues found during the course of the audit process, and any amendments required to the Accounts which must be reported and approved by Members of the Audit Committee.

There were six recommendations made by the Auditor relating to the disclosure issues raised in the Audit Findings Report (ISA260). The completed Action Plan would be reviewed and closely monitored during 2018/19.

The Deputy Chief Finance Officer concluded by requesting that the Audit Committee approve the 2017/18 Statement of Accounts, noting that also included the audited Annual Governance Statement.

RESOLVED – (1) That the Audit Committee approve the 2017/18 Statement of Accounts, noting that also included the Annual Governance Statement.

(2) That the 6 recommendations from the audit of the 2017/18 financial statements should continue to be monitored and an update be presented to the Committee in January 2019.

AUC.47/18 LETTER OF REPRESENTATION 2017/18

The Deputy Chief Finance Officer reported (RD.16/18) that the audit of the Statement of Accounts for 2017/18 was substantially complete with the Auditors' Audit Findings Report (ISA260) having been considered earlier in the meeting. Following approval of that report, the Auditors would issue their formal opinion and the audit process for 2017/18 would be complete.

In accordance with Auditing Standards, a Letter of Representation (a copy of which was appended to the report) must also be considered and approved by the Audit Committee prior to the Audit Opinion being provided. Once approved by the Committee it would be signed by the Chief Finance Officer on behalf of the City Council.

Members were asked to approve the Letter of Representation 2017/18.

RESOLVED – (1) That the Audit Committee approve the Letter of Representation for 2017/18.

(2) That the Chief Finance Officer be authorised to sign the same on behalf of the Council.

[The meeting ended at 10.50am]

THURSDAY 26 JULY 2018 AT 10.00AM

PRESENT: Councillor Mrs Bowman (Vice Chairman), Councillors Alcroft, Allison, Mrs Mallinson, Mallinson J (as substitute for Councillor Ellis), McNulty and Mrs Warwick (as substitute for Councillor Mrs Birks)

ALSO PRESENT: Councillor Dr Tickner – Deputy Leader, and Finance, Governance and Resources Portfolio Holder

OFFICERS: Town Clerk and Chief Executive
Corporate Director of Governance and Regulatory Services
Chief Finance Officer
Property Services Manager
Policy and Communications Manager
Policy and Performance Officer
Overview and Scrutiny Officer

BTSP.47/18 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Mrs Birks, Councillor Ellis and Councillor McDonald.

BTSP.48/18 DECLARATIONS OF INTEREST

No declarations of interest were submitted.

BTSP.49/18 PUBLIC AND PRESS

RESOLVED - It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

BTSP.50/18 MINUTES OF PREVIOUS MEETINGS

RESOLVED – To note that Council, on 17 July 2018, received and adopted the minutes of the meeting held on 31 May 2018. The minutes were signed by the Chairman.

BTSP.51/18 CALL - IN OF DECISIONS

There were no items which had been the subject of call-in.

BTSP.52/18 OVERVIEW REPORT AND WORK PROGRAMME

The Policy and Communications Manager presented report OS.19/18 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel.

The Notice of Executive Key Decisions had been published on 22 June 2018. The following items fell within the remit of the Panel:

Included in the Work Programme for this meeting –

KD.10/18 – Asset Management Plan 2018-2023

KD.12/18 – The Medium term Financial Plan (including the Corporate Charging Policy) and the Capital Strategy 2019/20 to 2023/24

Not included in the Work Programme –

KD.11/18 – Review of the Statement of Gambling Policy

The table of progress on resolutions from previous meetings had been included in section 3 of the report. Since the publication of the report the Town Clerk and Chief Executive had circulated the programme for the roll out of Office 365 to Members.

Members asked for updates on the following resolutions:

BTSP.16/18 (2) – The Town Clerk and Chief Executive had not been aware of any reason why the action had not been completed.

BTSP.41/18 (a) – The Chief Finance Officer responded that the Pools had required rewiring to pass the annual inspection to enable it to remain open. With regard to the Recycling & Waste Management revenue outturn position she explained that there had been a one off underspend. The Rethinking Waste Scheme had redesigned the service to make revenue contributions to fund vehicle purchases, therefore there should not be any underspend moving forward.

BTSP.40/18 – The Corporate Director of Governance and Regulatory Services explained that no work was being undertaken with regard to the committee structure of the City Council following the Boundary Commission review. The Boundary Commission's position had been that the Council could operate with its current structure despite the reduction to 39 Members. It was open to Members to review this position should they wish.

BTSP.42/18 – An explanation of the Key Performance Indicators within Customer Services was provided in the Performance Report later on in the agenda.

The Policy and Communications Manager drew the Panel's attention to section 4 of the report which detailed an update on the Draft Community Asset Transfer Policy. The Policy would be considered by the Executive at the next appropriate meeting.

The Panel's 2018/19 work programme had been attached as appendix 1 to the report for the Panel's consideration. The Policy and Communications Manager reported that the Corporate Plan and the Workforce Plan would be submitted to the September Panel meeting.

The Town Clerk and Chief Executive reminded the Panel that the Flood Recovery Lessons Learnt report would focus on the Council's asset recovery and would include an analysis of the closure of John Street Hostel. In response to a Member's question the Town Clerk and Chief Executive added that one area that had caused issues during the flood had been the logistics of dealing with the donations. As a result work had been undertaken and an external organisation now looked after the donations quickly and appropriately. He confirmed that there had been issues with contractors, however, not all of the delays had been as a result of contractors and details would be included in the report.

A Member commented that the delays to the ground floor should also be included in the report along with the risks to the Council in terms of further flooding. The Town Clerk and Chief Executive agreed that there had been some frustration regarding the time taken to move forward with the ground floor but it had been appropriate to have full negotiations with the insurers and to ensure the designs went through the proper committee process.

A Member asked if the allocated budget for the ground floor would be sufficient to complete the plans and the Town Clerk and Chief Executive confirmed that there was sufficient funding and, in addition, a funding stream would be created.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel (OS.19/18) be noted.

2) That the Panel look forward to receiving the lessons learnt report on the recovery of the Council's assets.

The Corporate Director of Governance and Regulatory Services presented report GD.56/18 which set out the revisions to the Asset Management Plan which had been updated to reflect key issues and changes affecting the management and use of the City's portfolio resource. The Plan also reported on the current position and performance of the portfolio, and the Asset Disposal Programme.

Members' attention was drawn to the portfolio and the current performance as at 31 March 2018.

In considering the Draft Asset Management Plan Members raised the following comments and questions:

- A Member asked for an explanation of the term 'Ratio Planned: Reactive Maintenance' which was included in the Outstanding Maintenance table.

The Property Services Manager clarified that it was good practice to have 76% of maintenance as planned maintenance rather than reactive maintenance.

- A Member highlighted the Condition Category table which showed a decline in the A (Excellent) categories and asked for the reason for the change.

The Property Services Manager explained that the condition survey was only partially completed and a full picture would be available once the survey programme was completed. The assets in the A category had been new assets and as they had aged the maintenance required had increased, therefore they moved from A to B (Good). Overall there was an increase from 87% in A & B to 89.5% and a reduction in C (Mediocre) and D (Poor) from 13% to 10.05%. To have 89.5% of the City Council's portfolio classed as either excellent or good was testimony to the proactive management regime that was in place.

- What energy efficiency targets were in place and how were they monitored?

The Property Services Manager reported that energy efficiency measures were installed in all Council assets where possible including light sensors, meters and smart meters. It would be possible to set targets for the Civic Centre when it had a full complement of smart meters to analysis consumption. He added that there had been issues previously in monitoring the electricity consumed as the provider had to submit estimated bills. When all the smart meters had been installed there would be accurate bills and a consumption indicator would be appropriate.

A Member highlighted some concerns with regard to smart meters and reports that they had not been accurate and asked who provided the smart meters and if officers were confident that they would be accurate.

The Corporate Director of Governance and Regulatory Services responded that the smart meters would be supplied by the energy provider and he had been aware of issues with first generation meters but technology had progressed and it was hoped that the new meters would be accurate.

- What was income received from the feed in tariff from the solar photovoltaic arrays at the Sands Centre and Civic Centre?

The Chief Finance Officer agreed to circulate a written response.

- How did the Council seek views from customers, staff and the public in formulating the Plan?

The Property Services Manager responded that the team liaised with tenants before any work was carried out, this information was not included in the Plan but it would be considered for inclusion in future Plans.

- Was the capital expenditure annual or was some it one off non recurring?

The Property Services Manager explained that the repairs programme was reviewed annually and the current review would be completed in 2019. The outcome of that review would be reflected in the three year plan. The Chief Finance Officer added that the total revenue budget and the capital scheme had been detailed in the report, the three year plan would detail how that amount would be itemised and spent.

- The disposal programme included potential for a site at Greymoorhill which could have a significant capital receipt. Had consideration been given to other options apart from its sale, for example the Council being involved in the development of the site?

The Corporate Director of Governance and Regulatory Services reminded the Panel of the work being carried out at Junction 44 which involved the Council in the development for a greater return; he confirmed that all options were being considered to increase the level of revenue for the authority.

The Property Services Manager added that any valuations for the capital receipt would be based on the prevailing market rate at the time.

- The Chancerygate Project showed a yield of 14%, a Member commented that he felt that the potential yield should take account of the value of the land.

The Town Clerk and Chief Executive clarified that the proposal was to have the value of the land reflected in the return for the Council. The Property Services Manager agreed to include figures in the report which would be submitted to Council and commented that it would still be a very good return.

- How were the future sales of assets progressing?

The Portfolio Holder responded that the report had comprehensively covered the combination of disposal and acquisition, in addition Chancerygate were employed to ensure that the Council was achieving returns at Kingstown Industrial Estate.

- The Plan stated that the Council used property well to meet its aims and was planning future investment and development to allow it to continue, how was this monitored?

The Corporate Director of Governance and Regulatory Services informed Members that the occupancy rates showed that the property was being well used.

- A Member questioned the need for £200,000, which had been ring fenced for work at Kingstown Industrial Estate, when Chancerygate had been appointed to manage Kingstown Industrial Estate.

The Corporate Director of Governance and Regulatory Services agreed to provide the Panel with a detailed written response to the question. He reminded the Panel that Chancerygate had been appointed to manage Kingstown Industrial on behalf of the Council; the Council was still responsible for financing work in the Industrial Estate. In response to a further question the Corporate Director clarified that the report which would be submitted to Council would look at the financing of the development proposals only.

- Were the assets to be disposed of still advertised on the Council's website? What kind of interest did they receive and how were those who had registered interest kept involved?

The Property Services Manager confirmed that the City Council website was used as a marketing tool for the disposal of assets. When interest was registered in a particular asset the

interest was acknowledged and the details were retained in the asset's file. When the asset was to be disposed of those who had registered interest were then contacted.

The Finance, Governance and Resources Portfolio Holder took the opportunity to thank the Property Services Team for achieving increased returns on assets in a difficult time. In addition the rental income of £4.2 million per annum was vital to the Council's operations.

A Member agreed with the Portfolio Holder adding that the City would look very different without the rental income. He stated that it was important that the Council thought about the asset disposal and used the assets to not only increase income but to shape Carlisle for the future.

The Corporate Director reminded the Panel that some assets were not being sold and were being used by the Economic Development Directorate to grow the City.

RESOLVED –1) That the Draft Asset Management Plan 2018 to 2023 (GD.56/18) be welcomed;

2) That the Chief Finance Officer provided the Panel with a written response regarding the income received from the feed in tariff from the solar photovoltaic arrays at the Sands Centre and Civic Centre.

3) That the comments and observations of the Panel, as detailed above, be submitted to the Executive.

BTSP.54/18 DRAFT MEDIUM TERM FINANCIAL PLAN 2019/20 TO 2023/24

The Chief Finance Officer reported (RD.13/18) on the draft Medium Term Financial Plan (MTFP) 2019/20 to 2023/24 which set out the current framework for planning and managing the Council's financial resources, developing its annual budget strategy and updating its current five year financial plan. The Plan linked the key aims and objectives of the Council, as contained in the Carlisle Plan, to the availability of resources, enabling the Council to prioritise the allocation of resources to best meet its overall aims and objectives.

In terms of the key messages, the Chief Finance Officer explained that the MTFP showed the starting position for budget considerations for the next five years and gave an indication of the likely factors that would have an impact in the budget setting process.

Key to those considerations would be:

- Achievement of transformation savings;
- Further reductions in government grant, e.g. New Homes Bonus, Housing Benefit Administration Grant;
- Further consideration of the future funding and Business Rate Retention and the added responsibilities that may be passed on to the Council as well as future resets of Business Rate Retention Scheme. Further guidance from the MHCLG was anticipated on the Business Rate Retention Scheme to inform the budget process.

As well as some significant pressures, there was scope for some additional savings and additional income opportunities to be considered as part of the budget process. Those considerations were likely to be around Business Rate Retention Growth and Pooling; and more commercial and investment opportunities.

In considering the report, Members were reminded that the MTFP has been prepared at a time of great uncertainty in respect of the economy, especially in terms of the on-going Brexit debate, and also in terms of the Government's approach to Public Sector Funding in general and particularly for Local Government Funding. No details had been received in terms of funding beyond 2019/20; therefore it is very difficult to predict future potential funding for the Council in

relation to the Fair Funding Review, Business Rates Retention and the New Homes Bonus Scheme.

In considering the Draft Medium Term Financial Plan 2019/20 to 2023/24 Members raised the following comments and questions:

- Members asked for clarity regarding the proposed increase to the General Fund Reserves and asked how it compared to other authorities.

The Chief Finance Officer clarified that the proposal was to increase the General Fund Reserves to £3.3m, however, consideration would have to be given to the shortfall from the proposed Rethinking Waste savings. She added that there was no guidance on the level of Reserve the Council should have, it was the decision of the Section 151 Officer on a local level.

- How was the New Homes Bonus being used?

The Chief Finance Officer responded that the Bonus was a general grant based on the number of new homes or houses being brought back into use. The funding was used to fund Council services as an increase in homes increased the demand on services. She added that the money was not ring fenced.

The Finance, Governance and Resources Portfolio Holder added that the Government encouraged local authorities to build new homes to meet the housing shortage; in addition they were removing the Revenue Support Grant. This meant Local Authorities had to increase business growth and build new homes.

- Were officers confident that the 2017/18 savings could be achieved?

The Chief Finance Officer responded that there had been a shortfall in 2017/18 due to the changes to the Rethinking Waste Scheme which had resulted in £400,000 of recurring savings not being achieved.

- A Member raised concerns with regard to the borrowing rates and wanted to ensure any new borrowing would not be repaid as interest only.

The Chief Finance Officer explained that the refinancing of the £15m stock option had been built into the budget from 2020/21 along with other borrowing requirements at a reduced rate of interest and as a full repayment loan. Her recommendation had been to have a repayment loan only.

The Portfolio Holder added that the stock refinance would result in lower payments and would be paid off. The finance team continued to watch the market and had the delegated authority to act on opportunities as they arose to ensure the Council got the best deal available.

A Member sought assurance that financing for the Leisure Redevelopment would not occur until after the Development had been agreed.

The Portfolio Holder clarified that the finance team had delegated authority with regard to the best options for refinancing the stock option. With regard to other projects, there were many options available and financing would occur through a variety of financial options at the appropriate time.

- The Council had achieved growth over and above the budgeted level with regard to the Business Rates Baseline, how much control did the Council have with Business Rates?

The Chief Finance Officer responded that the Business Rates were in the hands of businesses and economic growth in the area. The Council was part of the Cumbria Business Rates Pool which enabled the Council to retain more of the growth. The baseline had not yet been set for

2020/21 but in-year monitoring would be reported to the Panel as part of their quarterly monitoring reports.

- A Member asked if the impact from shop closures on Business Rates had been included in a risk register.

The Chief Finance Officer responded that the impact on Business Rates was monitored and reported quarterly. There was a potential impact from the Business Rates Appeals process which had changed and meant there would be a long period for when the appeal was heard and if it should be backdated; however, a provision for this had been built into the budget.

- Was the increase in the income from the Lanes realistic?

The Chief Finance Officer agreed to supply a written response to the Panel.

- Was the Building Control income subsumed in Development Control figures?

The Chief Finance Officer clarified that Building Control was a separate function with a separate reserve.

- Would the recently announced pay increase to some public sectors affect the Council?

The Chief Finance Officer confirmed that the recent changes announced for Public Sector pay increases would not affect the authority. The pay increase of 2% had been agreed for 2018/19 and 2019/20 and included in the budget.

- The Council signed up to a four year settlement in exchange for a commitment to prepare an Efficiency Plan. The report showed the Plan had been for three years not four and Members asked for clarity on the matter.

The Chief Finance Officer responded that the 4 year finance settlement had been based upon the approval of the Efficiency Plan by the (then) DCLG. 4.3 of the report set out how the budget had been achieved and that further efficiencies were not required to achieve a balanced budget after 2018/19. This did not mean that further efficiencies would not be found and the Council would continue to strive to be as efficient as it could be.

The Panel discussed holding an enquiry day to discuss issues around efficiency and the Efficiency Plan. The Panel agreed to the enquiry day and would prepare a list of their requirements for the day and what they hoped to achieve.

RESOLVED - 1) That the Draft Medium Term Financial Plan 2019/20 to 2023/24 be welcomed (RD.13/18);

2) That the Chief Finance Officer supply a written response to the Panel regarding the increase to the income from the Lanes.

3) That the Panel hold an Enquiry Day to discuss issues regarding efficiencies and efficiency planning.

4) That the comments and observations of the Panel, as detailed above, be submitted to the Executive.

BTSP.55/18 DRAFT CAPITAL INVESTMENT STRATEGY 2019/20 TO 2023/24

The Chief Finance Officer reported (RD.14/18) on the Draft Capital Investment Strategy 2019/20 to 2023/24, which directed the Council's Capital Programme and the allocation of resources for the five year period 2019/20 to 2023/24. The guidance in the strategy complimented and supplemented the Medium Term Financial Plan.

The Chief Finance Officer drew attention to the key messages in the report and the financial principles which supported the Capital Investment Strategy as detailed in section 2 of the Strategy.

In considering the draft Capital Investment Strategy Members raised the following comments and questions:

- To what extent did the authority use advisors with regard to borrowing?

The Chief Finance Officer responded that Chancerygate provided advice with regard to Kingstown Industrial Estate, Property Services and Economic Development gave advice and the Council also had Treasury Management advisors.

- Why had there been an increase in the Tennis Facilities budget for 2018/19?

The Chief Finance Officer responded that she would provide the Panel with a written response.

- It was important that the Borderlands initiative, the Garden Village and the Citadel Station all be included in the consideration of the key principles which were applied to the Capital Investment Strategy.

The Chief Finance Officer acknowledged they would impact the Strategy and explained that should any contribution be required from the Council then a further report would be prepared.

RESOLVED – 1) That the Draft Capital Strategy 2019/20 TO 2023/24 (RD.14/18) be welcomed;

2) That the Chief Finance Officer provide a written response to the Panel with regard to the increase in the Tennis Facilities 2018/19 budget.

3) That the comments and observations of the Panel, as detailed above, be submitted to the Executive.

BTSP.56/18 QUARTER 1 PERFORMANCE REPORT 2018/19

The Policy and Performance Officer submitted the quarter 1 performance against current Services Standards and a summary of the Carlisle Plan 2015-18 actions as defined in the 'Plan on a Page'. Performance against the panel's 2018/19 Key Performance Indicators were also included. (PC.12/18)

The Policy and Performance Officer detailed the proposed changes to the KPIs as set out in section 2 of the report.

In considering the Performance Report Members raised the following comments and questions:

- There had been a large increase in demand on the service in SS04 compared to the previous year, how was this increase in work load being dealt with?

The Town Clerk and Chief Executive responded that the number of processors had not increased and that they worked hard to try and meet the target. The Policy and Performance Officer added that, in addition to the increase, the target had also been stretched and had dropped from 22 working days to 19.

In response to a further question the Town Clerk and Chief Executive confirmed that targets were self-imposed and it was good for the authority to set challenging targets.

- Under Carlisle Plan Key Action 12, report highlighted that pre-construction surveys had revealed that the large Victorian built sewer running underneath the tennis courts was in poor condition. How would this effect any future redevelopment of the Rickergate area?

The Finance, Governance and Resources Portfolio Holder explained that there were a number of Victorian sewers throughout the City; any issues would change the design of the foundations of potential developments. The condition of the sewers would be built into the development and it was good to carry out the work early. The Policy and Performance Officer agreed to provide the Panel with more details with regard the sewers.

- It would be useful to include performance indicators on commercial tenants and rent reviews.

The Town Clerk and Chief Executive agreed that the information could be included in the Asset Management report.

RESOLVED – That the Quarter 1 Performance Report 2018/19 (PC.12/18) be noted.

2) That the Policy and Performance Officer circulate further information on the Pre-construction survey and the condition of the Victoria built public sewer which runs under the tennis courts.

(The meeting ended at 12.00pm)

BUSINESS AND TRANSFORMATION SCRUTINY PANEL

THURSDAY 6 SEPTEMBER 2018 AT 10.00AM

PRESENT: Councillor Mrs Bowman (Vice Chairman), Councillors Alcroft, Allison, Ellis, Mrs Mallinson, McDonald and McNulty.

ALSO PRESENT: Councillor Dr Tickner – Deputy Leader, and Finance, Governance and Resources Portfolio Holder

OFFICERS: Deputy Chief Executive
Chief Finance Officer
Policy Performance Officer x2
Overview and Scrutiny Officer

BTSP.57/18 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Mrs Birks and the Town Clerk and Chief Executive.

BTSP.58/18 DECLARATIONS OF INTEREST

No declarations of interest were submitted.

BTSP.59/18 PUBLIC AND PRESS

RESOLVED - It was agreed that the items of business in Part A be dealt with in public and Part B be dealt with in private.

BTSP.60/18 MINUTES OF PREVIOUS MEETINGS

RESOLVED – That the minutes of the meeting held on 26 July 2018 be agreed.

BTSP.61/18 AGENDA

RESOLVED – That agenda items A.5 (Revenue Budget Overview and Monitoring Report) and A.6 (Capital Budget Overview and monitoring report) be considered after agenda item A.2 (Overview Report and Work Programme).

BTSP.62/18 CALL - IN OF DECISIONS

There were no items which had been the subject of call-in.

BTSP.63/18 OVERVIEW REPORT AND WORK PROGRAMME

The Overview and Scrutiny Officer presented report OS.19/18 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel.

The Notice of Executive Key Decisions had been published on 17 August 2018. There were no items included which fell within the Panel's remit.

The table of progress on resolutions from previous meetings had been included in section 3 of the report. The Overview and Scrutiny Officer reported that written responses from the Chief Finance Officer with regard to Minute References BTSP.53/18, BTSP.54/18 and BTSP.55/18 had been circulated to Members on 6 August 2018.

The Panel's work programme had been include in the report and the Overview and Scrutiny Officer highlighted a number of material items which had not yet been scheduled in for a particular meeting. The Panel agreed that the Overview and Scrutiny Officer should liaise with relevant officers to schedule the matters over the coming months.

The Overview and Scrutiny Officer reported that the Scrutiny Chairs Group had met on 16 August and had discussed the future structure of the Scrutiny function. It was resolved that the best way forward would be to establish a Cross Party Working Group to determine an appropriate and efficient future structure. Subsequent advice from the Corporate Director of Governance and Regulatory Services was to the effect that, if Members wished to have such a task and finish group then it should come under the ambit of the Business and Transformation Scrutiny Panel as the Chairs' Group did not have a remit for this type of action. The Director reiterated the Chief Executive's advice at the Chairs' Group that the Local Government Boundary Commission for England's decision (based on submission received) was that the Council could properly deliver its current structure with 39 Members. The Panel was asked to consider: -

- Whether the scope of any review should be around Scrutiny, or a more broadly based review of Governance structures
- Whether a separate Task and Finish Group should be established to take this matter forward
- In the event that the Panel agreed to limit any review to the Scrutiny function, to agree what additional information from the Overview and Scrutiny Officer was needed to allow a decision to be made.

The Panel discussed the matter and agreed that a Task and Finish Group should be established to look at the wider remit of the governance of the Council. The Task and Finish Group would include the Chairman, Vice Chairman, Councillor Ellis, Councillor Alcroft and Councillor Allison. Other relevant Members and Officers would be invited to take part in the Task Group. The Panel wanted the first meeting to take place as soon as possible to agree the Terms of Reference and to move the work forward.

A Member reminded the Panel that it was important that 'back bench' Members were engaged and highlighted the good work taking place at Kirklees Council.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel (OS.19/18) be noted.

2) That the Overview & Scrutiny Officer liaise with the relevant officers to schedule the outstanding items within the work programme for future meetings;

3) That a Task and Finish Group be established to scrutinise the governance arrangements for the Council. The Task and Finish Group would include the Chairman and Vice Chairman of the Business and Transformation Scrutiny Panel, Councillor Ellis, Councillor Alcroft and Councillor Allison. Relevant Members and Officers would also be invited to take part in the Task Group work.

BTSP.64/18 REVENUE BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO JUNE 2018

The Chief Finance Officer presented report RD.18/18 which provided an overview of the Council's overall budgetary position for the period April to June 2018 for revenue schemes only.

The Chief Finance Officer outlined the background information set out at Section 1. The budgetary position as at June 2018 showed an updated Budget 2018/19 totalling £13,340,500;

and the main income and expenditure variances were as summarised at paragraph 2.4 of the report.

Section 3 recorded that the Council's financial position was affected by a number of external factors which would have a financial impact during the course of the year and ultimately at the year-end, including the general effect of local economic activity on the Council's income streams (e.g. car parking, tourism and leisure activities); fuel prices, energy costs and other inflationary issues; and the effects of the housing market and property prices, especially with regard to income from land charges, rents and building and development control.

The Council's financial position would continue to be closely monitored and the likely year end position would be reported more fully in a future monitoring report. It would be important to maintain a prudent approach so as to ensure a sustainable budget position for future years and to avoid any significant variance at the year end.

The Executive had considered the matter at their meeting on 20 August 2018 (EX.77/18 refers) and decided:

“That the Executive:

1. Noted the budgetary performance position of the Council to June 2018;
2. Noted the action by the Chief Finance Officer to write-off bad debts as detailed in paragraph 6 of Report RD.18/18;
3. Noted the release of reserves as set out in the table at paragraph 2.2, and noted the virements approved as detailed in Appendix A.”

In considering the monitoring report Members raised the following comments and questions:

- The recommendation in the report asked the Panel to note the variances, Members asked that the recommendation in future reports covered the expected input from Scrutiny which better reflected the role of Scrutiny.

The Chief Finance Officer responded that the recommendations would be amended in future but added that the report reflected the current financial position and there was no formal decision for Scrutiny or the Executive to take on the report.

- The summarised revenue budgetary position set out in the table at page 53 showed a target of £1.2m from Transformation but did not show any savings made for this year. Would the £1.2m target be met in this financial year?

The Chief Finance Officer drew the Panel's attention to the table on page 55 of the report which set out the Transformation savings of £772,700 which had been achieved to date. The Council's financial position would continue to be closely monitored and work would continue to achieve the further £706,300 savings which were required. Information would be provided to the Panel in their quarterly monitoring reports.

- One of the main variances to the budget was an overspend to Chancerygate, how would this be dealt with?

The Deputy Chief Executive responded that the overspend reflected the upfront costs required to start the work with Chancerygate; those costs would be recovered when the rent reviews and other works made a return. The risks associated with the overspend and further details were included in the published Executive report. The Chief Finance agreed to provide a written response to the Panel.

- The Panel asked for clarity regarding the original General Fund Reserves contribution of £582,800 and the net spend to date contribution from reserves of £918,571.

The Chief Finance agreed to provide a written response to the Panel.

- The Panel asked for more narrative to be added to the report to aid scrutiny, in particular with regard to the variances.
- How would the overspend at the Business Interaction Centre (BIC) be funded?

The Chief Finance Office explained that the Corporate Director of Economic Development was looking at the BIC and the options available to the Council. Further information was included in the Capital Budget Overview and Monitoring Report.

- The Panel asked for reassurance that every step was taken to recover bad debts before they were written off, the Panel also asked how the monies were put back into the income stream

The Chief Finance Officer assured the Panel that the Council had a thorough process in place for collecting debts which ended in the use of bailiffs if necessary. An estimate of the Bad Debt Write Offs was calculated annually and a provision was made in the account, the debts were then written off against that provision.

- Were there any predictions for the impact of the introduction of the Universal Credit?

The Chief Finance Officer reported that there had been no significant impact to date since the introduction of Universal Credit in July. The main issues would be the recovery of overpayments of Housing Benefits and Council Tax arrears.

- A Member asked for confirmation that the sale of assets was a capital receipt.

The Chief Finance Officer confirmed that the sale of assets over £10,000 was a capital receipt.

RESOLVED – 1) That the Revenue Budget Overview and Monitoring Report: April to June 21018 (RD.18/18) be welcomed;

2) That the recommendations in future reports covered the expected input from Scrutiny which better reflected the role of Scrutiny;

3) That future reports include more narrative to aid Scrutiny, in particular with regard to the variances;

4) That the Chief Finance Officer provide the Panel with a written response to the following:
 - How would the overspend with regard to Chancerygate be dealt with?
 - An explanation regarding the original General Fund Reserves contribution of £582,800 and the net spend to date contribution from reserves of £918,571

BTSP.65/18 CAPITAL BUDGET OVERVIEW AND MONITORING REPORT: APRIL TO JUNE 2018

The Chief Finance Officer presented report RD.19/18 which provided an overview of the budgetary position of the City Council's capital programme for the period April to June 2018. She summarised the background position set out at Section 1 of the report.

The position statement recorded that, as at the end of June, expenditure of £1,549,842 had been incurred on the Council's core capital programme. When considered against the profiled budget of £1,446,956 that equated to an overspend of £102,886. The unspent balance remaining of the revised annual budget of £7,894,600 was £6,344,758. That would be closely monitored over the following months to identify accurate project profiles and any potential slippage into future years.

A number of schemes were included in the capital programme for 2018/19 that required reports to be presented to the Executive for the release of funding before the project could go ahead, some of which may slip into future years capital programmes.

The Executive had considered the matter at their meeting on 20 August 2018 (EX.78/18 refers) and decided:

“That the Executive:

- (i) Noted and had commented upon the budgetary position and performance aspects of the capital programme for the period April to June 2018;
- (ii) Noted adjustments to the 2018/19 capital programme as detailed in paragraph 2.1 of Report RD.19/18;
- (iii) (iii) Approved an increase to the capital programme for the additional Disabled Facilities Grant received in 2018/19 (£293,200).”

In considering the monitoring report Members raised the following comments and questions:

- There was concern regarding the amount of carry forwards from 2017/18.

The Chief Finance Officer reminded the Panel that the carry forwards had been approved at Council in July and the accompanying report to the decision had the full explanation. She added that many capital programme schemes took longer than a financial year to complete and there was often additional slippage which resulted in the carry forward.

- Were the Council's assets revalued every year?

The Chief Finance Officer explained that the assets were revalued every five years; however, a desktop exercise was carried out annually for balance sheet purposes.

- Had other monies been spent on the Central Plaza other than the amount the Council had agreed?

The Chief Finance Officer was not aware of any further spending on the Central Plaza other than the amount already approved. She added that the Economic Development Team were dealing with the Central Plaza and were continuing to look at available options.

- A number of the schemes in the capital programme had been there for some time, who would make the decision to remove schemes that were not going ahead?

The Chief Finance Officer responded that the schemes would be considered as part of the budget process and removed if necessary.

A Member highlighted the Botchergate/London Road Scheme which had not been successful in securing funding. The Chief Finance Officer said this scheme would be removed if funding was not available and this would be reflected in the next quarterly monitoring report.

- The Panel felt that the narrative under the risks section of the report was insufficient and asked for more detailed narrative to be included in future reports.

The Deputy Chief Executive reminded the Panel that each of the capital schemes would include a detailed risk assessment as they were brought forward. The risks in the monitoring report reflected the overall risk to the Council and he agreed that this would be made clearer in future reports. The Chief Finance Officer added that a full risk assessment on the capital strategy was available and could be adapted and added to the future reports.

RESOLVED – 1) That the Capital Budget Overview and Monitoring Report: April to June 2018 be welcomed (RD.19/18);

2) That the recommendations in future reports covered the expected input from Scrutiny which better reflected the role of Scrutiny;

3) That more detail be added to the narrative in the risks section of the report and the capital strategy risk assessment be adapted and added to future reports.

BTSP.66/18 DRAFT ITINERARY FOR EFFICIENCY RELATED INQUIRY DAY

The Overview and Scrutiny Officer submitted report OS.23/18 which provided an outline itinerary for the inquiry day relating to efficiency and efficiency planning.

The Overview and Scrutiny Officer reminded the Panel that they had requested an inquiry day at their meeting on 26 July. The draft itinerary suggested some possible lines of inquiry within four main areas.

The Panel discussed the inquiry day and agreed that it should be split into two half days, the first half for training and the second half for the inquiry day. The training would be carried out by Council Officers and would be for Panel Members and Substitutes.

The Panel also requested that comparison information be provided and some consideration also be given to how income could be generated.

RESOLVED – 1) That the draft itinerary for the inquiry day relating to efficiency and efficiency planning (OS.23/18) be noted.

2) That the Overview and Scrutiny Officer to make the necessary arrangements for two half day sessions for the efficiency related inquiry day.

BTSP.67/18 COMMUNITY ASSET TRANSFER POLICY

The Policy and Performance Officer presented a Community Asset Transfer Policy (PC.16/18).

The Policy and Performance Officer reminded the Panel of the background to the Policy which had been developed through a Business and Transformation Scrutiny Panel Task and Finish Group.

The Panel was asked to comment on the amended draft Policy and recommend to the Executive the adoption of the Policy and Procedure.

The Panel asked that the Policy be promoted through a press release as well as being advertised on the website. They also asked that the Policy be emailed to any groups who registered an interest in a community asset.

RESOLVED – 1) The Panel recommend to the Executive that they adopt the Community Asset Transfer Policy (PC.16/18).

2) That the Policy and documents be emailed to any parties who expressed an interest in a community asset;

3) That a press release regarding the new Policy be prepared from the Panel through the Communications Team;

4) That the Panel thank the Policy and Performance Officer for her support and work in preparing the Community Asset Transfer Policy.

The Policy and Performance Officer presented an overview of the development of a Corporate Plan (PC.17/18).

The Policy and Performance Officer reported that a Corporate Plan set out clearly an organisation's aspirations for the future. It was a useful way to link the key strategic documents that drive the business planning within the organisation. The Corporate Plan 2018-21 brought together the key documents and plans, and set out how services would be improved and key projects delivered.

The Plan would be separate, but related to the Carlisle Plan, primarily through resourcing and delivering the 'big three' projects:

Borderlands Inclusive Growth Deal
St Cuthbert's Garden Village
Sands Centre Redevelopment

In addition, a new key area 'Low Carbon energy options and reducing environmental impact' would be developed in the revision of the Carlisle Plan.

Progress against the Plan would be measured through the Performance Framework and would be reported in the End of Year Performance Report. A set of Key Performance Indicators were being developed to measure the Plan, drawn from the core documents. The baselines for the new measures would be reported later in 2018/19.

In considering the Corporate Plan Members raised the following comments and questions:

- The Panel asked for some clarity or additional narrative with regard to Key Performance Indicator (KPI) CP06.

The Policy and Performance Officer responded that the documents behind CP06 were very technical with a detailed explanation of the definition of the indicator and how it was measured. He agreed to circulate the full definition to Members.

- The Panel felt that the document was very light on narrative and the Panel had expected a mission statement and more detail regarding the purposed of the Plan.

The Finance, Governance and Resources Portfolio Holder explained that the Corporate Plan was an overarching document which brought together key documents and plans.

The Policy and Performance Officer added that the Carlisle Plan set out the vision and mission for the Council as a whole and the Corporate Plan was an internal document. Each of the strategies and policies within the Corporate Plan had their own vision and missions.

- The Plan identified the 'big three' projects, Members felt that the Kingstown Industrial Estate Retail Project should be included.

The Finance, Governance and Resources Portfolio Holder responded that the three projects were accepted as the biggest for the Council using a criteria, he agreed that the criteria may need to be investigated further.

- The Panel questioned the age of the Plan and if it was the most up to date document for scrutiny.

The Finance, Governance and Resources Portfolio Holder clarified that the Corporate Plan was for 2018-2021.

RESOLVED – 1) That the Corporate Plan (PC.17/18) be welcomed;

2) That future reports contain more narrative giving an explanation of the Key Performance Indicators;

3) That the Policy and Performance Officer circulate the definition of Key Performance Indicator CP06 to all Members of the Panel;

4) That the Finance, Governance and Resources Portfolio Holder circulate the criteria which was used to determine the 'big three' projects to all Members of the Panel

BTSP.69/18 EMPLOYEE OPINION SURVEY

The Policy and Performance Officer presented the Employee Opinion Survey 2018 (PC.18/18).

The Policy and Performance Officer reported that Employee Opinion Surveys took place within the authority every two years for the last ten years. The last Survey was carried out in February 2018 and had a response rate of 58% which was an increase since 2016. The report set out the response rate by Directorate and the changes since the Survey in 2016. A copy of the survey questions had been attached to the report. The survey tool which had been used had a word cloud tool which had been used to create a scaled font for the literal answers to questions 2, 15, 16 and 17. The images had been embedded in the relevant sections of the report and helped to summarise and count the literal answers.

In considering the Survey results Members raised the following comments and questions:

- A Member felt that the response rate was low and asked if it was possible to find out why staff were not completing the survey.

The Policy and Performance Officer reminded the Panel that the response rate had increased but it was difficult to find out why staff did not want to response to the survey as it was a voluntary survey. The survey was promoted by the Town Clerk and Chief Executive and the Organisational Development Team and hard copies were distributed to those who could not access the online version.

- The Panel were pleased that the survey had qualitative sections but questioned the meaningfulness of the 'word clouds' as they did not give any detail or indication if the comments made had been negative or positive.

The Policy and Performance Officer explained that the font size of the word reflected how frequently the word was used by respondents and agreed to look at a different way of presenting the qualitative information in future.

- Were the survey responses benchmarked against other authorities?

The Policy and Performance Officer responded that the surveys were predominantly used as an internal comparison tool. It was difficult to benchmark the survey as the questions were tailored to best suit the Council at that time. Work had been undertaken by BMG Research which compared staff satisfaction of 50 organisations including some Councils. Some of the City Council questions could be aligned to their questions and the Council had come out quite well in comparison. The Policy and Performance Officer agreed to investigate possible benchmarking opportunities further.

- The Panel asked that future surveys include a question asking staff what they did not like about the Council.

RESOLVED – 1) That the Employee Opinion Survey 2018 be welcomed (PC.18/18)

2) That future reports:

- present the responses of qualitative questions in a different and more meaningful way;
- better target the thoughts and feelings of staff through different questions;
- include the question 'What do you not like about the Council?'

3) That potential means for benchmarking the Council Employee Opinion Survey against other authorities be investigated further.

(The meeting ended at 11.56am)

Audit Progress Report and Sector Update

Carlisle City Council
Year ending 31 March 2019

September 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 includes a summary of emerging national issues and developments that may be relevant to you as a local authority.

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 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 September 2018

2017/18 Audit

We have completed our audit of the Council's 2017/18 financial statements. Our audit opinion, including our value for money conclusion and certificate of audit closure was issued on the 30 July 2018.

We issued an:

- unqualified opinion on the Council's financial statements; and
- unqualified value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources.

We have issued all our deliverables for 2017/18 and have concluded our work on the 2017/18 financial year. Our Annual Audit Letter, summarising the outcomes of our audit is included as a separate agenda item.

2018/19 Audit

We have begun our planning processes for the 2018/19 financial year audit.

Our detailed work and audit visits will begin later in the year and we will discuss the timing of these visits with management. In the meantime we will:

- continue to hold regular discussions with management to inform our risk assessment for the 2018/19 financial statements and value for money audits;
- review minutes and papers from key meetings; and
- continue to review relevant sector updates to ensure that we capture any emerging issues and consider these as part of audit plans.

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 2018/19 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 Finance Officers in July as part of our quarterly liaison meetings and continue to be in discussions with finance staff regarding emerging developments and to ensure the audit process is smooth and effective. We also met with your Chief Executive in July to discuss the Council's strategic priorities and plans.

Events

We provide a range of workshops, along with network events for members and officers, and publications to support the Council. 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
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2018	Not yet due
2018/19 Deliverables	Planned Date	Status
Fee Letter Confirming audit fee for 2018/19.	April 2018	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 2018-19 financial statements.	January 2019	Not yet due
Interim Audit Findings We will report to you the findings from our interim audit and our initial value for money risk assessment within our Progress Report.	March 2019	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the July Audit Committee.	July 2019	Not yet due
Auditors Report This is the opinion on your financial statement, annual governance statement and value for money conclusion.	July 2019	Not yet due
Annual Audit Letter This letter communicates the key issues arising from our work.	August 2019	Not yet due
Annual Certification Letter This letter reports any matters arising from our certification work carried out under the PSAA contract.	December 2019	Not yet due

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

CIPFA consultation – Financial Resilience Index

The Chartered Institute of Public Finance and Accountancy (CIPFA) has consulted on its plans to provide an authoritative measure of local authority financial resilience via a new index. The index, based on publically available information, will provide an assessment of the relative financial health of each English council.

CIPFA has designed the index to provide reassurance to councils who are financially stable and prompt challenge where it may be needed. To understand the sector's views, CIPFA invited all interested parties to respond to questions it has put forward in the consultation by the 24 August.

The decision to develop an index is driven by CIPFA's desire to support the local government sector as it faces a continued financial challenge. The index will not be a predictive model but a diagnostic tool – designed to identify those councils displaying consistent and comparable features that will highlight good practice, but crucially, also point to areas which are associated with financial failure. The information for each council will show their relative position to other councils of the same type. Use of the index will support councils in identifying areas of weakness and enable them to take action to reduce the risk of financial failure. The index will also provide a transparent and independent analysis based on a sound evidence base.

The proposed approach draws on CIPFA's evidence of the factors associated with financial stress, including:

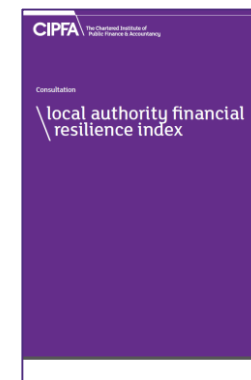
- running down reserves
- failure to plan and deliver savings in service provision
- shortening medium-term financial planning horizons.
- gaps in saving plans
- departments having unplanned overspends and/or undelivered savings.

Conversations with senior practitioners and sector experts have elicited a number of additional potential factors, including:

- the dependency on external central financing
- the proportion of non-discretionary spending – e.g. social care and capital financing - as a proportion of total expenditure
- an adverse (inadequate) judgement by Ofsted on Children's services
- changes in accounting policies (including a change by the council of their minimum revenue provision)
- poor returns on investments
- low level of confidence in financial management.

The consultation document proposes scoring six key indicators:

1. The level of total reserves excluding schools and public health as a proportion of net revenue expenditure.
2. The percentage change in reserves, excluding schools and public health, over the past three years.
3. The ratio of government grants to net revenue expenditure.
4. Proportion of net revenue expenditure accounted for by children's social care, adult social care and debt interest payments.
5. Ofsted overall rating for children's social care.
6. Auditor's VFM judgement.



MHCLG – Social Housing Green Paper

The Ministry of Housing, Communities and Local Government (MHCLG) published the Social Housing Green Paper, which seeks views on government's new vision for social housing providing safe, secure homes that help people get on with their lives.

With 4 million households living in social housing and projections for this to rise annually, it is crucial that MHCLG tackle the issues facing both residents and landlords in social housing.

The Green Paper aims to rebalance the relationship between residents and landlords, tackle stigma and ensure that social housing can be both a stable base that supports people when they need it and also support social mobility. The paper proposes fundamental reform to ensure social homes provide an essential, safe, well managed service for all those who need it.

To shape this Green Paper, residents across the country were asked for their views on social housing. Almost 1,000 tenants shared their views with ministers at 14 events across the country, and over 7,000 people contributed their opinions, issues and concerns online; sharing their thoughts and ideas about social housing,

The Green Paper outlines five principles which will underpin a new, fairer deal for social housing residents:

- Tackling stigma and celebrating thriving communities
- Expanding supply and supporting home ownership
- Effective resolution of complaints
- Empowering residents and strengthening the regulator
- Ensuring homes are safe and decent.

Consultation on the Green Paper is now underway, which seeks to provide everyone with an opportunity to submit views on proposals for the future of social housing and will run until 6 November 2018.

The Green Paper presents the opportunity to look afresh at the regulatory framework (which was last reviewed nearly eight years ago). Alongside this, MHCLG have published a Call for Evidence which seeks views on how the current regulatory framework is operating and will inform what regulatory changes are required to deliver regulation that is fit for purpose.

The Green Paper acknowledges that to deliver the social homes required, local authorities will need support to build by:

- allowing them to borrow
- exploring new flexibilities over how to spend Right to Buy receipts
- not requiring them to make a payment in respect of their vacant higher value council homes.

As a result of concerns raised by residents, MHCLG has decided not to implement at this time the provisions in the Housing and Planning Act to make fixed term tenancies mandatory for local authority tenants.

The Green Paper is available on the MHCLG's website at:
<https://www.gov.uk/government/consultations/a-new-deal-for-social-housing>



MHCLG – Business rate pilots

The Secretary of State has invited more councils to apply for powers to retain the growth in their business rates under the new pilots. The pilots will see councils rewarded for supporting local firms and local jobs and ensure they benefit directly from the proceeds of economic growth.

From April 2019, selected pilot areas will be able to retain 75% of the growth in income raised through business rates, incentivising councils to encourage growth in business and on the high street in their areas. This will allow money to stay in communities and be spent on local priorities - including more funding to support frontline services.

This follows the success of previous waves of business rates retention pilots, launched in a wide range of areas across country in 2017 and 2018.

The current 50% business rates retention scheme is yielding strong results and in 2018 to 2019 it is estimated that local authorities will keep around £2.4 billion in business rates growth.

Findings from the new round of pilots will help the government understand how local authorities can smoothly transition into the proposed system in 2020.

Proposals will need to show how local authorities would 'pool' their business rates and work collaboratively to promote financial sustainability, growth or a combination of these.

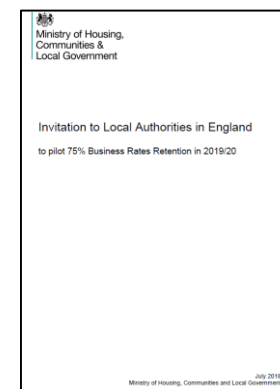
Alongside the pilots, the government will continue to work with local authorities, the Local Government Association, and others on reform options that give local authorities more control over the money they raise and are sustainable in the long term.

The invitation is addressed to all authorities in England, excluding those with ongoing business rates retention pilots in devolution areas and London. Due to affordability constraints, it may be necessary to assess applications against selection criteria, which will include:

- Proposed pooling arrangements operate across a functional economic area
- Proposal demonstrates how pooled income from growth will be used across the pilot area to either boost further growth, promote financial sustainability or a combination of these
- Proposal sets out robust governance arrangements for strategic decision-making around management of risk and reward and outlines how these support the participating authorities' proposed pooling arrangements.

Any proposals will need to show that all participating authorities have agreed to become part of the suggested pool and share additional growth as outlined in the bid. The Section 151 officer of each authority will need to sign off the proposal before submission.

Proposal for new pilots must be received the MHCLG by midnight on Tuesday 25th September 2018.



Institute of Fiscal Studies: Impact of 'Fair Funding Review'

The IFS has published a paper that focuses on the issues arising in assessing the spending needs of different councils. The government's 'Fair Funding Review' is aimed at designing a new system for allocating funding between councils. It will update and improve methods for estimating councils' differing abilities to raise revenues and their differing spending needs. The government is looking for the new system to be simple and transparent, but at the same time robust and evidence based.

Accounting for councils' spending needs

The IFS note that the Review is seeking a less subjective and more transparent approach which is focused on the relationship between spending and needs indicators. However, like any funding system, there will be limitations, for example, any attempt to assess needs will be affected by the MHCLG's funding policies adopted in the year of data used to estimate the spending needs formula. A key consideration will be the inherently subjective nature of 'spending needs' and 'needs indicators', and how this will be dealt with under any new funding approach. Whilst no assessment of spending needs can be truly objective, the IFS state it can and should be evidence based.

The IFS also note that transparency will be critical, particularly in relation to the impact that different choices will have for different councils, such as the year of data used and the needs indicators selected. These differentiating factors and their consequences will need to be understood and debated.

Accounting for councils' revenues

The biggest source of locally-raised revenue for councils is and will continue to be council tax. However, there is significant variation between councils in the amount of council tax raised per person. The IFS identify that a key decision for the Fair Funding Review is the extent which tax bases or actual revenues should be used for determining funding levels going forward.

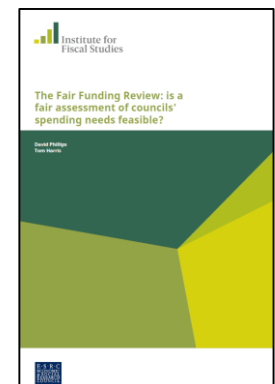
Councils also raise significant sums of money from levying fees and charges, although this varies dramatically across the country. The IFS note that it is difficult to take account of these differences in a new funding system as there is no well-defined measure of revenue raising capacity from sales, fees and charges, unlike council tax where the tax base can be used.

The overall system: redistribution, incentives and transparency

The IFS also identify that an important policy decision for the new system is the extent to which it prioritises redistribution between councils, compared to financial incentives for councils to improve their own socio-economic lot. A system that fully and immediately equalises for differences in assessed spending needs and revenue-raising capacity will help ensure different councils can provide similar standards of public services. However, it would provide little financial incentive for councils to tackle the drivers of spending needs and boost local economics and tax bases.

Further detail on the impact of the fair funding review can be found in the full report

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>.



National Audit Office – The health and social care interface

The NAO has published its latest ‘think piece on the barriers that prevent health and social care services working together effectively, examples of joint working in a ‘whole system’ sense and the move towards services centred on the needs of the individual. The report aims to inform the ongoing debate about the future of health and social care in England. It anticipates the upcoming green paper on the future funding of adult social care, and the planned 2019 Spending Review, which will set out the funding needs of both local government and the NHS.

The report discusses 16 challenges to improved joint working. It also highlights some of the work being carried out nationally and locally to overcome these challenges and the progress that has been made. The NAO draw out the risks presented by inherent differences between the health and social care systems and how national and local bodies are managing these.

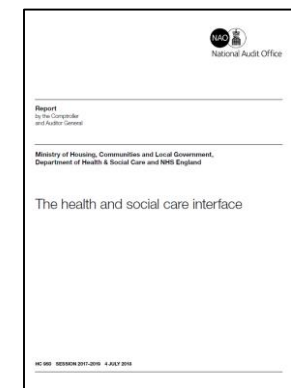
Financial challenges – include financial pressures, future funding uncertainties, focus on short-term funding issues in the acute sector, the accountability of individual organisations to balance the books, and differing eligibility criteria for access to health and social care services.

Culture and structure – include organisational boundaries impacting on service management and regulation, poor understanding between the NHS and local government of their respective decision-making frameworks, complex governance arrangements hindering decision-making, problems with local leadership holding back improvements or de-stabilising joint working, a lack of co-terminus geographic areas over which health and local government services are planned and delivered, problems with sharing data across health and social care, and difficulties developing person-centred care.

Strategic issues – include differences in national influence and status contributing to social care not being as well represented as the NHS, strategic misalignment of organisations across local systems inhibiting joint local planning, and central government’s unrealistic expectations of the pace at which the required change in working practices can progress.

This ‘think piece’ draws on the NAO’s past work and draws on recent research and reviews by other organisations, most notably the Care Quality Commission’s review of health and social care systems in 20 local authority areas, which it carried out between August 2017 and May 2018. The NAO note that there is a lot of good work being done nationally and locally to overcome the barriers to joint working, but often this is not happening at the scale and pace needed.

The report is available to download from the NAO’s website at:
<https://www.nao.org.uk/report/the-health-and-social-care-interface/>



The Vibrant Economy Index

a new way to measure success

Our Vibrant Economy Index uses data to provide a robust, independent framework to help everyone understand the challenges and opportunities in their local areas. We want to start a debate about what type of economy we want to build in the UK and spark collaboration between citizens, businesses and place-shapers to make their places thrive.

Places are complex and have an intrinsic impact on the people and businesses within them. Economic growth doesn't influence all of the elements that are important to people's lives – so we shouldn't use GDP to measure success. We set out to create another measure for understanding what makes a place successful.

In total, we look at 324 English local authority areas, taking into account not only economic prosperity but health and happiness, inclusion and equality, environmental resilience, community and dynamism and opportunity. Highlights of the index include:

- Traditional measures of success – gross value added (GVA), average workplace earning and employment do not correlate in any significant way with the other baskets. This is particularly apparent in cities, which despite significant economic strengths are often characterised by substantial deprivation and low aspiration, high numbers of long-term unemployment and high numbers of benefit claimants
- The importance of the relationships between different places and the subsequent role of infrastructure in connecting places and facilitating choice. The reality is that patterns of travel for work, study and leisure don't reflect administrative boundaries. Patterns emerge where prosperous and dynamic areas are surrounded by more inclusive and healthy and happy places, as people choose where they live and travel to work in prosperous areas.
- The challenges facing leaders across the public, private and third sector in how to support those places that perform less well. No one organisation can address this on their own. Collaboration is key.

Visit our website (www.granthornton.co.uk) to explore the interactive map, read case studies and opinion pieces, and download our report **Vibrant Economy Index: Building a better economy**.

Vibrant Economy app

To support local collaboration, we have also developed a Vibrant Economy app. It's been designed to help broaden understanding of the elements of a vibrant economy and encourage the sharing of new ideas for – and existing stories of – local vibrancy.

We've developed the app to help people and organisations:

- see how their place performs against the index and the views of others through an interactive quiz
- post ideas and share examples of local activities that make places more vibrant
- access insights from Grant Thornton on a vibrant economy.

We're inviting councils to share it with their employees and the wider community to download. We can provide supporting collateral for internal communications on launch and anonymised reporting of your employees' views to contribute to your thinking and response.

To download the app visit your app store and search 'Vibrant Economy'

- Fill in your details to sign up, and wait for the verification email (check your spam folder if you don't see it)
- Explore the app and take the quiz
- Go to the Vibrant Ideas section to share your picture and story or idea



Links

Grant Thornton website links

<https://www.grantthornton.co.uk/>

<http://www.grantthornton.co.uk/industries/publicsector>

National Audit Office link

<https://www.nao.org.uk/report/the-health-and-social-care-interface/>

Ministry of Housing, Communities and Local Government links

<https://www.gov.uk/government/news/social-housing-green-paper-a-new-deal-for-social-housing>

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/728722/BRR_Pilots_19-20_Prospectus.pdf

Institute for Fiscal Studies

<https://www.ifs.org.uk/uploads/publications/comms/R148.pdf>

Annual Audit Letter

Year ending 31 March 2018

Carlisle City Council
August 2018



Contents



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Executive Summary

Purpose

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Carlisle City Council (the Council) for the year ended 31 March 2018.

This Letter is intended to provide a commentary on the results of our work to the Council and external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this Letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'. We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 30 July 2018.

Our work

Materiality	We determined materiality for the audit of the Council's financial statements to be £1,188,000, which equates to 1.75% of the Council's gross revenue expenditure.
Financial Statements opinion	We gave an unqualified audit report opinion on the Council's financial statements on 30 July 2018.
Whole of Government Accounts (WGA)	We completed work on the Council's consolidation return following guidance issued by the NAO.
Use of statutory powers	We did not identify any matters which required us to exercise any of our additional statutory powers.

Respective responsibilities

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

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

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

Executive Summary

Value for Money arrangements	We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources. We reflected this in our audit report opinion to the Council on 30 July 2018.
Certification of Grants	We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2018 deadline. We will report the results of this work to the Audit Committee in our Annual Certification Letter.
Certificate	We certify that we have completed the audit of the accounts of Carlisle City Council in accordance with the requirements of the Code of Audit Practice.

Working with the Council

During the year we have delivered a number of successful outcomes with you:

- An efficient audit – we delivered an efficient audit with you in July 2018, completing the audit work well in advance of the deadline before signing the audit off on 30 July 2018, releasing your finance team for other work
- Sharing our insight – we provided regular audit committee updates covering best practice. We also shared our thought leadership reports
- Providing training – we provided your teams with technical update training on financial accounts and annual reporting
- Supporting development – we provided workshops for the Audit Committee in January and July 2018 on the role of external audit.

The Accounts have been produced to a good standard and the finance team have produced good working papers and have also been very responsive to our audit queries. A good achievement, especially in the context of a complex set of statements, and the shorter closedown period and tighter statutory deadlines

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

Grant Thornton UK LLP
August 2018

Audit of the Accounts

Our audit approach

Materiality

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

We determined materiality for the audit of the Council's accounts to be £1,188,000, which is 1.75% of the Council's gross revenue expenditure. We used this benchmark as, in our view, users of the Council's financial statements are most interested in where the Council has spent its revenue in the year.

We also set a lower level of specific materiality for senior officer remuneration and related party transactions.

We set a lower threshold of £59,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

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

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

We also read the remainder of the Statement of Accounts including the narrative report and the annual governance statement to check they are consistent with our understanding of the Council and with the financial statements included in the Statement of Accounts on which we gave our opinion.

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

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

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

Audit of the Accounts

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We identified management override of controls as a risk requiring special audit consideration.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none">• gained an understanding of the accounting estimates, judgements applied and decisions made by management and considered their reasonableness• obtained a full listing of journal entries, identified and tested unusual journal entries for appropriateness• evaluated the rationale for any changes in accounting policies or significant unusual transactions.	<p>We have not identified any issues, which require reporting through our work on management override of controls.</p>
<p>Valuation of property, plant and equipment</p> <p>The Council revalues its land and buildings and investment property on an annual basis to ensure that carrying value is not materially different from current value. This represents a significant estimate by management in the financial statements.</p> <p>We identified the valuation of land and buildings revaluations and impairments as a risk requiring special audit consideration.</p>	<p>As part of our audit work we have:</p> <ul style="list-style-type: none">• reviewed management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work• given consideration to the competence, expertise and objectivity of any management experts used• discussed with the valuer the basis on which the valuation is carried out and challenge the key assumptions used• reviewed and challenged the information used by the valuer to ensure it is robust and consistent with our understanding• tested revaluations made during the year to ensure they are input correctly into the Council's asset register• evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value.	<p>We have identified one amendment to the disclosure of asset lives, based on our review of the Council's Fixed Asset Register.</p> <p>In appendix A we have made one recommendation relating to the revaluation processes and controls in place. It was identified that two assets, which were intended to be revalued, were not included in the instructions sent to the valuation expert. Although these assets were not material, this indicates a potential control weakness in the process for supplying all of the appropriate assets, in line with the rolling programme, to be revalued by the valuation expert.</p>

Audit of the Accounts

Significant Audit Risks

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

Risks identified in our audit plan	How we responded to the risk	Findings and conclusions
<p>Valuation of pension fund net liability The Council's pension fund assets and liabilities 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>As part of our audit work we have:</p> <ul style="list-style-type: none">• identified the controls put in place by management to ensure that the pension fund liability is not materially misstated• assessed whether these controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement• evaluated the competence, expertise and objectivity of the actuary who carried out your pension fund valuation. We have gained an understanding of the basis on which the valuation is carried out• undertaken procedures to confirm the reasonableness of the actuarial assumptions made• checked the consistency of the pension fund asset and liability position and disclosures in notes to the financial statements with the actuarial report.	<p>We have not identified any issues, which requires reporting through our work on the valuation of pension fund net liability.</p>

Audit of the Accounts

Audit opinion

We gave an unqualified audit report opinion on the Council's financial statements on 30 July 2018, in advance of the shorter revised national deadline.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit to the Council's Audit Committee on 30 July 2018.

In addition, to the key audit risks reported above, we identified a number of issues throughout our audit that we have asked management to address for the next financial year, please refer to Appendix B.

We identified one material error which affected the Council's Comprehensive Income and Expenditure statement (CIES), but this did not impact the overall General Fund balance. The Council had included internally generated income and expenditure in the CIES, which should not have been included. Therefore, income and expenditure were reduced by £2.413 million. A prior period adjustment was made as well.

Annual Governance Statement and Narrative Report

We are required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website, in the Statement of Accounts in line with the national deadlines.

Both documents were prepared in line with the CIPFA Code and relevant supporting guidance. We confirmed that both documents post audit amendments were consistent with the financial statements prepared by the Council and with our knowledge of the Council.

We identified that the Council did not have assurance gathering processes in place for all Directorates to support its AGS disclosures. In appendix B we recommend formalising these arrangements to allow the Council to easily demonstrate how its governance framework as outlined in the AGS is operating in practice.

Other statutory powers

We also have additional powers and duties under the Local Audit and Accountability Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

Certificate of closure of the audit

We are also required to certify that we have completed the audit of the accounts of Carlisle City Council in accordance with the requirements of the Code of Audit Practice. We issued our certificate as part of the audit report opinion given on 30 July 2018.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice, following the guidance issued by the NAO in November 2017 which specified the criterion for auditors to evaluate:

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

Our Work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risk that we identified in the Council's arrangements. In arriving at our conclusion, our main key risk considerations were:

- the budgetary processes in place to be able to produce a robust Medium Term Financial Plan (MTFP)
- a review and challenge of the key assumptions underpinning the Council's MTFP.

Key findings

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

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

As part of our Audit Findings Report presented to the Audit Committee on 30 July 2018, management agreed with the recommendations we raised to address our significant findings.

Overall Value for Money conclusion

We are satisfied that in all significant respects the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2018.

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
<p data-bbox="66 434 439 545">Significant service transformation projects and the Medium Term Financial Plan (MTFP)</p> <ul data-bbox="66 559 439 868" style="list-style-type: none"><li data-bbox="66 559 439 868">• The Council's MTFP is predicated on delivering changes to the way in which services are delivered. The Council has identified proposals for reducing spending and increasing efficiency. The programme includes a number of key projects, including internally reshaping the Council.	<p data-bbox="459 434 2001 574">The Medium Term Financial Plan (MTFP) approved by Council in September 2017, demonstrated that appropriate steps were being taken to ensure a balanced budget position was maintained, despite reduced Government funding. A Savings Strategy is in place and continues to focus on assets, service delivery models and the 'Transformation Programme' to deliver the savings required to produce a balanced longer-term budget. The MTFP for 2018/19 to 2022/23 identified savings of £2.274 million. In addition, a savings requirement for 2017/18 of £0.795 million was identified, with £0.395 million achieved.</p> <p data-bbox="459 588 2001 696">£0.4 million of 2017/18 savings were not achieved due to the 'Rethinking Waste' initiative policy decision not being followed by the Council. A replacement savings initiative is yet to be identified by the Council, which will put further recurring savings pressures on 2018/19. However, this can be adequately absorbed by the General Fund in 2017/18, with a forecast balance well in excess of the £2 million minimum set by the Council in 2018/19.</p> <p data-bbox="459 711 2001 791">The Council should ensure that it remains agile to unexpected changes in policy, and proactively identifies alternative options to current funding streams or savings initiatives, should these become unachievable due to unexpected events, changes in the economic climate or Council policy decisions.</p> <p data-bbox="459 805 2001 919">In May 2018, the Council had to take emergency action to make safe a dangerous structure within Carlisle under section 78 of the Building Act 1984. This has led to a £0.650 million contribution from the Council's General Fund Reserves in 2018/19, putting further pressure on usable reserves. This instance, alongside the 'Rethinking Waste' policy decision, highlights the need for the Council to identify additional savings requirements and income generation initiatives beyond the minimum required in order to meet potential unforeseen budgetary pressures.</p> <p data-bbox="459 933 2001 1013">During 2017/18 as part of the 2018/19 budget compilation process, a detailed base budget review including an analysis of core budgets was undertaken. This provided an additional level of challenge and rigour within the budget setting process, to ensure all potential savings were identified.</p> <p data-bbox="459 1028 2001 1136">The Council is faced with a continual reduction in Central Government funding, which is making identifying savings increasingly more difficult. It will be essential therefore to ensure that its savings plans continue to be clearly communicated, monitored, linked to specific policy decisions, service reviews and on-going rationalisation of the workforce. As well as reducing expenditure, the Council is under increasing pressure to identify innovative methods of income generation.</p> <p data-bbox="459 1150 2001 1208">The Council's involvement in wider economic regeneration schemes including the Borderlands Initiative and the St Cuthbert's Garden Village further highlights the requirement to be innovative in its approach to spending and generating income.</p> <p data-bbox="459 1222 2001 1302">The Council has a comprehensive approach to its medium term financial planning, budgeting and identification of saving plans, which are agreed at a corporate level, by senior officers and members. The strategy is aligned to the Council's corporate priorities, highlights the key financial risks, and adopts a prudent approach to funding streams.</p>

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
Significant service transformation projects and the Medium Term Financial Plan (MTFP)	<p>A proportion of the Council's income is received from rental income from its investment properties, with an element of this relating to retail units. City centres face increasing pressure from the downturn in profits of high street stores and the increase in online sales, with a number of high profile store closures occurring across the country, including some in Carlisle. Whilst the majority of the rental income is based on property leases with set rent, a significant element is contingent, based on the performance of the tenants holding the retail space. The Council should challenge the assumption of continual rental growth on these properties and ensure scenario planning is undertaken based on the potential future outcomes for the City centre. Evidence has been provided to support the income assumptions in the MTFP, but these should be continually reviewed and challenged going forward.</p> <p>During 2016/17 the Council undertook a review of their arrangements for the accounting for Minimum Revenue Provision (MRP) for 2017/18 onwards. As part of the review, the Council has taken a payment holiday for items identified totalling £1.1 million from 2003/04 to 2015/16 for voluntary MRP of £0.9 million, and a charge made in error for assets under construction of £0.2 million. The Council has reduced the MRP charge over the five year period from 2017/18, with a £0.226 million reduction in the current projected MRP charge in each year.</p> <p>During 2017/18, the Council has further reviewed their MRP policy for 2018/19 onwards. The Council has reviewed their calculation for 'Adjustment A', which was made on 1 April 2004, and identified a potential error in the calculation. The impact of this potential error is calculated by the Council as £2.146 million, with the MRP charge being reduced by £1.876 million over the five year period covered by the MTFP. The Council has sought legal advice on the above changes to the MRP policy due to its statutory nature, with the advice giving the opinion that the amendments are allowable.</p> <p>The change in MRP charged from 2018/19 onwards due to this potential error in 'Adjustment A' is still subject to audit, as the accounting impact is in 2018/19. Therefore, the Council should identify alternative methods of reducing expenditure or generating income, should this amendment be found to be inappropriate. Whilst reducing the MRP charged to the General Fund does improve the reserves position, this is short-term non-recurring solution to medium to long term financing challenges. Looking forward, the Council should seek to identify opportunities to reduce expenditure or generate further income through long-term focussed initiatives rather than reliance on accounting adjustments.</p> <p>The capital outturn for 2017/18 was £9.571 million against a £11.240 million budget. All of the £1.669 million underspend/ slippage on the capital programme has been carried forward and re-profiled over future years. The revenue outturn for 2017/18 was an underspend of £2.553 million. Of this amount £0.664 million is carried forward into the next period, and £1.276 million has been placed into earmarked reserves. The Council has a history of revenue underspends, generated through a combination of reduced expenditure as well as some income streams outperforming budgets.</p>

Value for Money conclusion

Key Value for Money Risks

Risks identified in our audit plan	Findings and conclusions
Significant service transformation projects and the Medium Term Financial Plan (MTFP)	<p>In the Audit Findings Report for 2016/17, a recommendation was made to the Council to re-profile the capital programme at regular intervals during the financial year. This recommendation has been adequately implemented in the quarterly budget monitoring report, which re-profiles the capital programme as necessary.</p> <p>The significant impact of the December 2015 floods upon assets continue to affect the Council's services and finances. As part of the 2015/16 outturn a flood reserve of £0.5 million was created for future non-insured costs of flood recovery. The flood reserve has increased by £1.514 million to £2.014 million at 31 March 2018, as flood insurance income was received in excess of the works carried out to date. The £2.014 million held in the flood reserve is to fund repairs to the Civic Centre and Bitts Park. During 2017/18 the Council has made progress on bringing affected assets back into use, most significant of which is the Sheepmount becoming operational again, and decisions being made on the future of the affected areas of the Civic Centre.</p> <p>The Council made significant progress during 2017/18 on the proposal to redevelop the Sands Centre to support the delivery of the Council's 'Sports Facilities Strategy'. The proposal was supported by a detailed options paper, which clearly communicated the potential cost of each option for the redevelopment. The cost is currently estimated to be £19.467 million, of which £17.467 million is to be funded by the Council, with the preferred financing option being through the use of external borrowing. This is in excess of the £5 million capital redevelopment costs, which were assumed in the initial MTFP. The full impact of the increased cost has been factored into the budget for 2018/19 in terms of the capital and revenue impact.</p> <p><u>Conclusion</u></p> <p>Based on the review of the arrangements in place during 2017/18 for the compilation of the MTFP including identified savings, we concluded that the overall risk was sufficiently mitigated and that the Council has proper arrangements in this area.</p>

A. Reports issued and fees

We confirm below our final reports issued and fees charged for the audit. No non-audit services have been provided to the Council during 2017/18.

Reports issued

Report	Date issued
Audit Plan	February 2018
Audit Findings Report	30 July 2018
Annual Audit Letter	August 2018




Fees

	Planned £	Actual fees £	2016/17 fees £
Statutory Council audit	53,290	53,290	53,290
Grant Certification	16,852	TBC	14,093
Total fees	70,142	TBC	67,383




The planned fees for the year were in line with the scale fee set by Public Sector Audit Appointments Ltd (PSAA)

B. Action Plan

We have identified two recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.



	Assessment	Issue and risk	Recommendations
1	 Green	<ul style="list-style-type: none"> It was noted through the review of the Council's Fixed Asset Register that a number of assets which had been either disposed of or fully depreciated, are being carried in the Fixed Asset Register at nil value. 	<ul style="list-style-type: none"> Review the Fixed Asset Register and write-out any assets carried at nil value which are not in use by the Council. <p>Management response</p> <ul style="list-style-type: none"> Assets will be reviewed during 2018/19 to ensure any carried at nil value and are not in use are removed.
2	 Amber	<ul style="list-style-type: none"> From a completeness reconciliation of asset data provided to the external valuer for the purposes of the valuation, it was identified that two assets requiring valuation, were missed and as a result were not valued by the valuer. Whilst the value of these assets was immaterial, this is an indication of a potential control weakness. 	<ul style="list-style-type: none"> Undertake a completeness reconciliation between the Fixed Asset Register and the instructions to the valuer to ensure all assets which are intended to be revalued are included. <p>Management response</p> <ul style="list-style-type: none"> Finance will confirm with Property Services that the asset revaluation instructions include all assets subject to revaluation.
3	 Green	<ul style="list-style-type: none"> We identified that the Council did not have assurance gathering processes in place for all Directorates. Formalising these arrangements allows the Council to easily demonstrate how its governance framework as outlined in the AGS is operating in practice. 	<ul style="list-style-type: none"> Review the Council's assurance gathering arrangements to underpin future AGS disclosures on its governance framework. <p>Management response</p> <ul style="list-style-type: none"> Consideration will be given to developing and implementing a questionnaire to be sent to all directorates to ensure all potential issues to be included in the Annual Governance Statement are identified.

Controls




-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

B. Value for Money action plan

We have identified two Value for Money recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2018/19 audit.

	Assessment	Issue and risk	Recommendations
1	 Amber	<ul style="list-style-type: none"> There are well documented challenges to City Centres across the country in the current economic climate due to the closure of several high profile retail outlets. Carlisle City Council generates a significant amount of revenue from rental income relating to retail properties. 	<ul style="list-style-type: none"> Ensure that scenario planning is undertaken based on the potential future City Centre related revenue streams. <p>Management response</p> <ul style="list-style-type: none"> Consideration will continue to be given to the impact on the MTFP of the City Centre challenges throughout the budgetary cycle.
2	 Amber	<ul style="list-style-type: none"> Through our review of the Medium Term Financial Plan, we have identified a gap in the savings achieved for 2017/18 due to a change in Council priorities which has placed an increased savings pressure on 2018/19. 	<ul style="list-style-type: none"> Proactively identify alternative savings or income generations initiatives for those identified which are based on policy decisions being followed through. <p>Management response</p> <ul style="list-style-type: none"> Consideration will be given to savings requirements and the impact of these on the MTFP during the budgetary planning cycle.

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Report to Audit Committee

Agenda
Item:

A.4

Meeting Date: 26 September 2018
Portfolio: Finance, Governance and Resources
Key Decision: Not applicable
Within Policy and
Budget Framework YES
Public / Private Public

Title: INTERNAL AUDIT PROGRESS QUARTER 2 – 2018/19
Report of: CHIEF FINANCE OFFICER
Report Number: RD21/18

Purpose / Summary:

This report provides an overview of the work carried out by internal audit to the second quarter of 2018/19. The report also includes information on progress against the agreed audit plan, performance indicators and previous audit recommendations.

Recommendations:

The Committee is requested to

- (i) note the progress against the audit plan for 2018/19;
- (ii) receive the final audit reports as outlined in paragraph 2.2;
- (iii) note the progress made on audit recommendations to date outlined in Appendix 2.

Tracking

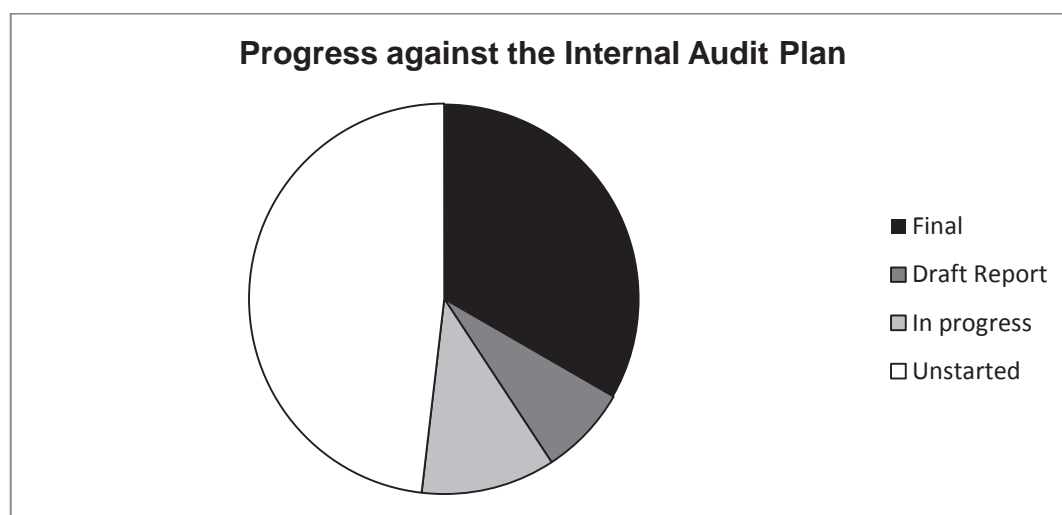
Audit Committee:	26 September 2018
Scrutiny Panel:	Not applicable
Council:	Not applicable

1. BACKGROUND INFORMATION

- 1.1 Management is responsible for establishing effective systems of governance, risk management and internal controls. It is the responsibility of management to establish appropriate arrangements to confirm that their systems are working effectively, that all information within them is accurate and that they are free from fraud or error.
- 1.2 Internal Audit's role is to provide independent assurance to senior management and Audit Committee over the adequacy and effectiveness of management's arrangements for governance, risk management and internal control.
- 1.3 This report summarises the work carried out by Internal Audit in the period from June 2018 to September 2018.

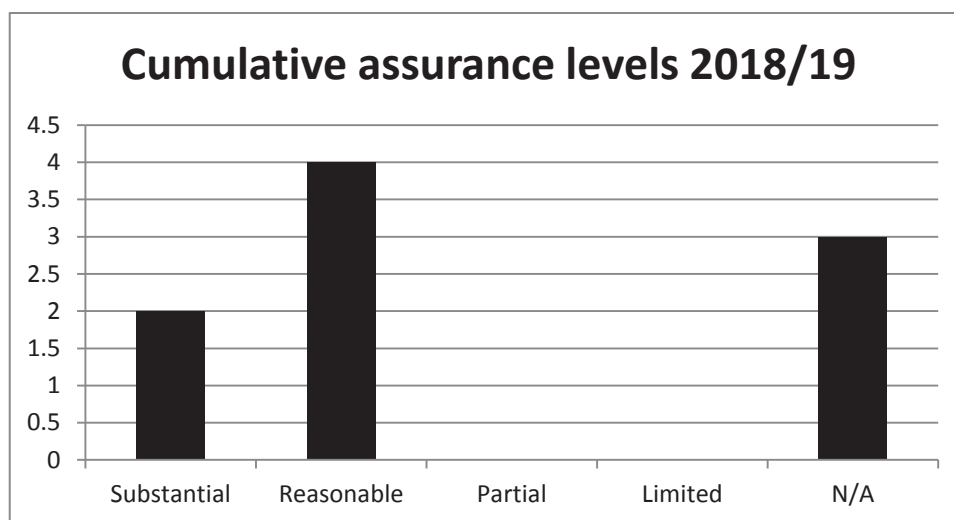
2. PROGRESS AGAINST AUDIT PLAN

- 2.1 Progress against the 2018/19 Audit plan is detailed at **Appendix 1**. Just over half the planned reviews have either been completed or are currently in progress.



- 2.2 There have been 3 full audit reviews and 1 follow-up audit reviews finalised in the second quarter.

Review Area	Assurance Level
Smarter Service Delivery	Reasonable
Noise Complaints	Substantial
Sands Centre Redevelopment	Substantial
Old Fire Station (Follow Up)	Reasonable



2.3 Internal Audit resource was also utilised on the following during Q2:

- Internal investigation following a whistle-blowing allegation relating to misuse of Council resources. The investigation was finalised in August 2018. The allegations were not upheld.

3 PERFORMANCE INDICATORS

3.1 To provide an effective internal audit service, there needs to be an effective measure of the performance it achieves. The table below shows progress against the indicators agreed for 2018/19.

Indicator	Target	Performance	Comments
Planned Audits Completed (for the full year)	95%	32%	39% to draft.
Audit Scopes Agreed	100%	100%	
Timely Draft Reports (within 3 months of fieldwork starting)	75%	100%	
Timely Final Reports (within 8 days of client response)	90%	100%	
Recommendations Agreed	95%	100%	
Assignments completed (within 10% of allocated resource)	60%	63%	
Quality Assurances Complete	100%	100%	
Positive feedback	80%	100%	
Chargeable time	80%	68%	
Recommendations implemented	No target	82%	

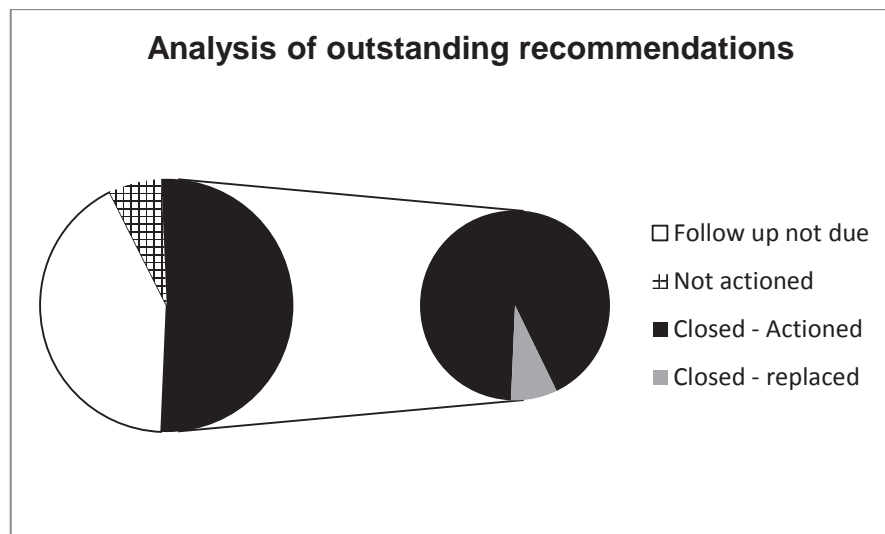
3.3 Chargeable time is also slightly under target due to a long-term sickness within the team (which is no longer ongoing).

4 AUDIT RECOMMENDATIONS

5.1 **Appendix 2** shows a summary position of outstanding audit recommendations and progress made against implementing these. Once the agreed implementation date has passed, internal audit will ask the responsible officer for an update of progress. The responses will then be reported to the next available Audit Committee meeting and, if implemented, will then be removed from the list so that only outstanding recommendations remain. Where the recommendations relate to a partial assurance audit, these will be subject to a formal follow up and will be reported back to Audit Committee separately. New recommendations will be added to the list once final reports are agreed.

5.2 The following should be noted:

- 35 recommendations were found to have been fully implemented and are now closed.
- 3 recommendations were found to have been partly implemented and have been replaced by a revised recommendation.
- 5 recommendations have not been implemented and a revised timescale for completion has been proposed.



6. RISKS

6.1 Findings from the individual audits will be used to update risk scores within the audit universe. All audit recommendations will be retained on the register of outstanding recommendations until Internal Audit is satisfied the risk exposure is being managed.

7. CONSULTATION

7.1 not applicable

8. CONCLUSION AND REASONS FOR RECOMMENDATIONS

The Committee is asked to

- i) note the progress against the audit plan for 2018/19;
- ii) receive the final audit reports as outlined in paragraph 2.2;
- iii) note the progress made on audit recommendations to date outlined in Appendix 2.

9. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

- 9.1 To support the Council in maintaining an effective framework regarding governance, risk management and internal control which underpins the delivery the Council's corporate priorities and helps to ensure efficient use of Council resources.

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:

Appendix 1 – Progress against Audit Plan and Timeline of audits

Appendix 2 – Progress against previous Audit Recommendations

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS/RISKS:

Legal – In accordance with the terms of reference of the Audit Committee, Members must consider a summary of internal audit activity and summaries of specific internal audit reports. This report fulfils that requirement.

Finance – Contained within the report

Equality – None

Information Governance – None

CARLISLE CITY COUNCIL
PROGRESS AGAINST REVISED AUDIT PLAN 2018/19

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Financial Services	Main Financial System	Internal Control Questionnaires - Non Audited Systems	2	2	Final	July 2018	N/A	
Homelessness Prevention	Funding Check	Supporting People	5	3	Final	July 2018	N/A	
Regeneration	Grant Claim	Durranhill Grant Claim	5	5	Final	July 2018	N/A	
Information Governance	Follow-up	Records Management	5	5	Final	July 2018	Reasonable	
Financial Services	Follow-up	Corporate Charge Card	3	4	Final	July 2018	Reasonable	
Council-wide	Corporate	Smarter Service Delivery	20	22	Final	September 2018	Reasonable	
Regulatory Services	Directorate	Noise Complaints	20	23	In Progress	September 2018	Substantial	
Contracts & Community Services	Directorate	Sands Centre Redevelopment	5	6	In progress	September 2018	Substantial	
Contracts & Community Services	Follow-up	Old Fire Station	7	9	In progress	September 2018	Reasonable	
Neighbourhood Services	Directorate	Refuse Collection and Recycling	20	22	Draft Report	December 2018		
Economic Development	Directorate	Heritage Cities Initiative	10	13	Draft Report	December 2018		
ICT Services	Directorate/VFM	Mobile Devices (including mobile phone VFM)	20	10	In progress	December 2018		
Revenues & Benefits	Main Financial System	Council Tax	20	9	In Progress	December 2018		
Human Resources	Directorate	Use of Casuals / Interim / Agency Workers	20	1	In Progress	December 2018		
Payroll & Personnel	Directorate	Allowances, Travel and Subsistence - Employees	20	-		December 2018		

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
Financial Services	Main Financial System	Creditors (including cheque control)	20	-		March 2018		
Financial Services	Main Financial System	Main Accounting System & Budget Monitoring (including MFTP)	25	-		March 2018		
Economic Development	Directorate	Project Management within Economic Development	10	-		March 2018		
Neighbourhood Services	Directorate	Garage incl. Driver checks	20	-		March 2018		
Revenues & Benefits	Value for Money	Revenues and Benefits Shared Service	10	-		March 2018		
Council-wide	Corporate	Information Governance	20	-		March 2019		
Human Resources	Directorate	Safeguarding including DBS	15	-		July 2019		
Contracts & Community Services	Directorate	Leisure Management Contract Management	20	-		July 2019		
Strategic Asset Investment	Directorate	Strategic asset management	10	-		July 2019		
Homelessness Prevention	Directorate	Homelessness Services	20	-		July 2019		
Financial Services	Hot assurance	E Purchasing - New System implementation (Consultancy)	10	-		July 2019		
Council-wide	Governance	Local Code of Conduct	5	2	Ongoing	July 2019		
TOTAL			357	136				
Follow Up (General)			18	6				
Counter Fraud			20	6				
Advice & Guidance			10	1				
General contingency			21	2				
Audit Committee (including EQA)			15	11				
Planning & Management			42	23				
OVERALL TOTAL			493	185				

Days taken as at 12th September (excludes leave and training days)

N.B Audit Committee Dates are anticipated dates final reports will be presented to Audit Committee and may be subject to change depending upon completion of audit work

Appendix 3 - Follow up monitoring spreadsheet

Key

Recommendation evidenced as actioned (Closed)
Recommendations evidenced as part actioned and replaced by new recommendation (Closed)
Recommendation not appropriate for follow up e.g. relates to one off scheme (Closed)
Formal Audit follow up scheduled
Management Statement scheduled to request evidence of implementation
Recommendation not actioned - revised timescales for implementation agreed.
Recommendation reviewed and not confirmed as actioned (no response/ revised timescales have passed).

Audit Review							Assurance Level
2016/17 Mobile Device Security							Partial
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status		
Senior management should ensure that governance arrangements around information security, including the security of mobile devices are clearly defined and embedded. Consideration should be given to the points raised above.	H	Responsibility for Information Security has now been subsumed into the Business Management & Development Sub-Group which, in addition to scrutinising and challenging proposed policies, will keep proper records of its deliberations. Secondly, the Council is in the process of establishing an Information Officer post (as required from 2018 by the European General Data Protection Regulations 2016) and such post will have responsibility for ensuring that we not only have relevant policies for Information Management and Security but also for embedding good practice within the organisation.	Corporate Director of Governance & Regulatory Services	01/12/2017	Full review to be performed Q3 18/19 (inc. follow up of o/s recs)		
a) Arrangements should be put in place to launch the new information security policies with appropriate training provision. b) Arrangements should be in place to give management assurance that all relevant staff have completed required mandatory training.	H	Please see management action statement for 5.1.1 re the Information Officer post. Training will be designed and delivered once the relevant policies are established.	Town Clerk & Chief Executive	01/04/2018	Full review to be performed Q3 18/19 (inc. follow up of o/s recs)		
Senior management should clarify their intentions around mobile device usage going forwards and ensure appropriate IT support, security and training arrangements are in place.	H	The introduction of Microsoft's Office 365 and Enterprise Mobility and Security technologies will improve the security of information held on mobile devices. Along with the implementation of these technologies a new framework will be implemented at the same time. Use of Office 365 across a host of devices, coupled with meeting the demand for more flexible working will define intentions around mobile device use in the future.	ICT Services Manager	01/04/2018	Full review to be performed Q3 18/19 (inc. follow up of o/s recs)		

Audit Review					Assurance Level
2017/18 - Record Management Follow Up (H1706)					Partial
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status
Management should discuss and agree what information needs to be included within the Constitution with relation to records management and retention of records, once agreed the necessary amendments including relevant links should be agreed and made	M	Appendix F of the Financial Procedure Rules contain "guidelines" on how long documents should be held and these relate, predominantly, to important information from Financial Services' perspective. The view of the s151 Officer predominates here and the periods stipulated are still current. It is open to the Council, through its retention policy, to have other periods for different types of records. Ideally, they should dovetail and a review will be carried out to ensure that this happens. In short, it may not be appropriate to change the periods stated in the FPRs; if it is, they will.	Corporate Director of Governance & Regulatory Services	30/09/2017	Recommendation not actioned - renewed timescale agreed. Review Q4 18/19

Audit Review					Assurance Level
2017/18 - S106 Agreements (C1701)					Reasonable
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status
Following consultation with all relevant parties, procedure notes detailing the processes taken to monitor and deliver S106 agreements should be prepared. Communication processes should be included	M	To establish a procedure and communication protocol for the monitoring and delivery of S106 agreements, building on the work drafted by the Policy and Performance.	Investment & Policy Manager	01-Apr-18	Draft prepared, but more time required to finalise due to complexity of document. Revised completion date 1/1/19. Review Q4 18/19
Consideration should be given to including risks relating to S106 agreements as part of the authority's quarterly monitoring of operation risk	M	Comprise a risk register for S106 agreements which can be fed into the service areas quarterly monitoring of risks to enable appropriate action to be taken. Process to form part of the procedure and communication protocol	Investment & Policy Manager	01-Apr-18	As above - work ongoing. Revised completion date 1/1/19. Review Q4 18/19
Meetings to discuss progress of S106 agreements should be held on a more regular basis.	M	Pre-programme S106 discussion meetings at predetermined intervals to be established as a sub group of the Economic Growth Board	Investment & Policy Manager	01-Apr-18	Evidence provided that recommendation actioned - close.
A list of agreed actions arising from the meetings should be devised and maintained. The list should be designed to ensure all outstanding obligations are assigned to an officer, with a timescale for completing the various steps required. Progress against actions should be monitored on a regular basis	M	Minutes and actions to be recorded at the S106 meetings and circulated.	Investment & Policy Manager	01-Apr-18	Evidence provided that recommendation actioned - close.
Delivery of obligations should be reported to Senior Management on a regular basis	M	As it is envisaged that Action 3 will be a subgroup of the Economic Growth Board minutes and actions will be reported to that board which is chaired by the Corporate Director of Economic Development.	Investment & Policy Manager	01-Apr-18	Evidence provided that recommendation actioned - close.

Audit Review							Assurance Level
2017/18 - Talkin Tarn (D1701)							Reasonable
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status		
Documentation should be produced to support the monitoring of the Service Plans.	M	Keep notes of monitoring meetings.	Site Management Team Leader	Ongoing from publication of report	Evidence provided that recommendation actioned - close.		
The operational risk register should be reviewed and consideration given specific risks at Talkin Tarn.	M	Specific TT risks identified and added to the operational risk register	Site Management Team Leader / Neighbourhood and Greenspaces Manager	01-Feb-18	Evidence provided that recommendation actioned - close.		
Action plan should be produced and any issues highlighted at monitoring meetings should be documented and followed up.	M	Action Plan produced. Regular reviews with minuted meetings.	Site Management Team Leader / Talkin Tarn Team Room & Gift shop Manager	Ongoing from publication of report	Evidence provided that recommendation actioned - close.		
Ownership for arranging the Portable Appliance Testing should be identified and it should be organised as soon as possible.	M	Responsibility for PAT testing agreed as resting with Talkin Tarn management (Green Spaces).	Neighbourhood and Greenspaces Manager / Site Management Team Leader	Jan-18	Evidence provided that recommendation actioned - close.		
The processes in relation to the CCTV system at Talkin Tarn should be improved and documented. In addition a general review of all the procedures should be undertaken and updated to reflect the current working practices.	M	Review of CCTV operation at Talkin Tarn. Procedures updated.	Site Management Team Leader / Green Spaces Operations Manager,	01-Mar-18	Agreed corporate policy required (joint meeting arranged October 2018). Review Q4 2018/19		
The health and Safety folder should be reviewed regularly and updated as necessary.	M	H&S folder reviewed and updated	Site Management Team Leader / Health and Safety Manager	01-Mar-18	Evidence provided that recommendation actioned - close.		
All documentation holding personal information should be kept in a locked cupboard.	M	Move booking records etc. to a locked cupboard or cabinet.	Talkin Tarn Team Room & Gift shop Manager	01-Jan-18	Evidence provided that recommendation actioned - close.		
Roles and responsibilities should be documented for casual staff.	M	Roles and responsibilities identified for casual staff; consideration of temporary contracts.	Site Management Team Leader / Talkin Tarn Team Room & Gift shop Manager / HR Advisor	Commencing Feb 18	Evidence provided that recommendation actioned - close.		

Audit Review						Assurance Level
2017/18 - Public Health (E1702)						Reasonable
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	
<p>Quarterly management checks should be introduced to ensure the effectiveness and accuracy of information on Flare. These checks should be recorded on the system. As part of the checks management should also ensure that:</p> <ul style="list-style-type: none"> -Officers record all relevant information on Flare, including premises visits, notes for all relevant action taken, results of specific tests, for example water sample results. -Correct codes are used on Flare. -An EMM form is completed as required. 	M	AGA code introduced for Auditing Management checks. Principal Health and Housing Officer (PHHO) responsible for checks. Regulatory Services Manager to monthly report AGA codes for Principal to monitor checks are completed.	Regulatory Services Manager and Principal Health and Housing Officer	15th November 2017	Evidence provided that recommendation actioned - close.	
		Inform/brief officers of the need to record correct H&S action codes	PHHO	12th December 2017 (Team meeting)		
		Review Flare reports to ensure 'check data' included for quarterly management checks – enable PHHO to target Flare records for audit checks (AGA code)	PHHO	31st December 2017		
		EMM code to be added to Flare accident record (action diary template) – officers to be informed/briefed on requirement to attach EMM	PHHO	12th December 2017 (Team meeting)		
Management should ensure that team meetings and 1 to 1's are regularly undertaken.	M	PHHO scheduled one to ones and meetings. These will be minuted / recorded. Findings of quarterly management checks to be raised at 1-1's and/or team meetings.	PHHO	43069	Evidence provided that recommendation actioned - close.	
Management should ensure that all officers are aware of the requirement to check if the Council is the responsible authority, if not the case should be passed on to the responsible authority, for example CQC (Care Quality Commission).	H	PHHO review incident recording procedure, in particular referrals to other enforcement bodies – CQC & HSE. PHHO to monitor referral process as part of quarterly management checks	PHHO	31/12/2017	Evidence provided that recommendation actioned - close.	
Management should ensure that it is possible to have a prompt within Flare to remind officers to check the Primary Authority Register to see if the business has a primary authority. This process should be documented within the relevant procedure.	M	Primary Authority Flare action diary code to be added to appropriate enforcement record templates, including accidents. This will act as a prompt to check. Amend incident recording procedure.	PHHO	31st December 2017	Evidence provided that recommendation actioned - close.	
The procedure / guidance for completing the annual return should be brought up to date to enable other officers to accurately complete the return if required.	M	LAE1 return procedure to be developed. Staff trained/briefed on the procedure.	PHHO	31st January 2017	Evidence provided that recommendation actioned - close.	
A matrix should be introduced to record the reason why a decision has been made not to go ahead with court proceedings. Details of this should also be recorded on Flare. This process should also be included in the accident and reporting procedure and the Enforcement Policy.	M	Enforcement decision matrix to be added to the Health & safety Enforcement Policy	PHHO	01/02/2018	Evidence provided that recommendation actioned - close.	

Audit Review						
2017/18 - Public Health (E1702)						
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	Assurance Level
Management should review how sensitive information is electronically stored and restrict access where needed.	M	Only Groups responsible for Enforcement can access Environmental Health Flare. Other servers can not be further restricted. All Groups with access understand need for confidentiality. We have considered further restrictions but concluded that the disruption to good working practices will outweigh any benefit. Clean Neighbourhoods work closely with Regulatory Services on matters such as noise and fly tipping, it would not be helpful to restrict access.	Regulatory Services Manager	Review Completed	Evidence provided that recommendation actioned - close.	Reasonable
		Flare audits track officer modifications made to databases – the new version of Flare, which should be operational by April 2018, may also allow audits of documents being opened / viewed.				
		A full review of the digital storage within Regulatory Services is being undertaken and any sensitive data stored incorrectly will be moved to the N drive and coded appropriately.				
A checklist and guidance should be documented including regularly checking and replenishing of the contents of the emergency grab bag.	M	Checklist / advisory note to be developed and placed within the grab bag to remind officers to replace items used. This process will be brought to the attention of staff at the next team meeting.	PHHO	12th December 2017	Evidence provided that recommendation actioned - close.	Assurance Level
Audit Review						
2017/18 - Flexitime & Toil (B1703)						
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	Assurance Level
The use of the Flexi bank procedures should be reviewed to ensure they are applied consistently.	M	Use of flexi bank procedures will be reviewed alongside the flexi policy and additional guidance issued to Managers and staff, if appropriate.	HR Manager	By March 2019	Management statement to be issued Q3 2018/19	Reasonable
The policy should be more specific with regards to guidance for travel for courses / training.	M	Existing guidance for travel time, expenses and mileage will be updated for Managers and staff to supplement the current Flexitime scheme.	HR Manager	By March 2019	Management statement to be issued Q3 2018/19	Assurance Level
A further report should be sent to HR when staff are continually outside of policy once it is ensured that all adjustments within the Service Support Team are processed.	M	Report will be sent out following the period end of the 1 st March 2018. Highlighted all officers outside of policy.	Service Support Supervisor	End of March 2018	Management statement to be issued Q3 2018/19	Assurance Level

Audit Review						Assurance Level
2017/18 - Arts Centre - Old Fire Station (D1701)						Partial
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	
Management should ensure that service risks are reviewed in accordance with the Council's Risk Management Policy. When reviewed the reviewed / modified field on project server should be manually updated.	M	Key risks for the Old Fire Station are already recorded on project server in accordance with Council Risk Management policy and are reviewed quarterly along with other service risks. During the audit the most recent review of OFS risks had not included updating of the date field (which does not occur automatically). The subsequent quarterly review of these risks has updated the date field.	Contracts and Community Services Manager	01-Mar-18	Formal follow concluded recommendation fully actioned - closed.	
Management should ensure that procedures / guidance is agreed and documented for all areas of the service including areas identified within this audit review. All guidance / procedures should be dated and version controlled.	M	A number of key processes are already mapped and recorded. An internal review will be held within the team to identify a full list of processes to be recorded, and a programme of documenting these will be undertaken. Once completed all processes will be held on the OFS Intranet page and reviewed annually.	Contracts and Community Services Manager	30-Jun-18	Formal follow concluded recommendation partly actioned - replacement recommendation issued.	
Management should ensure that arrangements should be put in place to ensure that management receive regular assurance that all defects have been fixed and that statutory health and safety and building maintenance checks are being undertaken at the OFS. Management should consider how these checks and their outcomes should be documented and reviewed and that any remedial actions are undertaken.	M	Property services are establishing a corporate approach to logging and tracking defects for all internal council clients. We will ensure that all defects are logged formally within this system once it is up and running.	Senior Estates Surveyor & the	01-Mar-18	Formal follow concluded recommendation fully actioned - closed.	
		Twice yearly maintenance meetings have also been established to review defects over the 6 month period, as well as identify required health and safety and maintenance checks over the coming period. These meetings will be documented and the notes shared between Contracts and Community Services and Property Services. The first meeting has already been scheduled for March 2018.	Contracts and Community Services Manager	01-Mar-18		
Management should ensure that all event files include the appropriate risk assessment.	M	All files will be individually reviewed at the closure of each event, with any discrepancies in paperwork collated into a monthly report and submitted to the Contracts and Community Services Manager.	Contracts and Community Services Manager	01-Mar-18	Formal follow concluded recommendation fully actioned - closed.	
Management should seek advice from HR with reference to the two casual posts.	H	Advice has been sought from HR regarding the two casual posts. HR's advice will be followed in terms of recognising any employment rights casual staff have accrued (if this is the case) and if appropriate formal contracts will be established. Such liabilities can be met from within existing Old Fire Station budgets.	Contracts and Community Services Manager	01-Mar-18	Formal follow concluded recommendation fully actioned - closed.	
Management should ensure that officers declare and resolve any interests, relationships, gifts and hospitality as per the requirement in the Officers' Code of Conduct.	M	All staff have been reminded of the obligations within the Officer Code of conduct. All hospitality will be recorded when given or received.	Contracts and Community Services Manger	01-Mar-18	Formal follow concluded recommendation fully actioned - closed.	
-that the OFS team including casuals and McGreys staff has the appropriate training to carryout out their roles safely and effectively; -regular formal 1 to 1's are undertaken for the OFS team and that annual appraisals are documented and retained.	M	A training schedule is held for all casual staff with all team members currently operational having completed the relevant training.	Contracts and Community Services Manager	01-Mar-18	Formal follow concluded recommendation fully actioned - closed.	
		We will ensure that McGrew's staff complete the same basis training required of the City Council's own supervisors on a rolling programme over the next 6 months.				
		Notes of 1:1s will be formally documented via email and shared immediately with team members.				
		Team appraisals are undertaken annually, we will ensure that the document is retained appropriately.				

Audit Review							Assurance Level	
2017/18 - Arts Centre - Old Fire Station (D1701)							Partial	
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status			
Management should ensure there is a system in place to ensure that all appropriate officers have a valid enhanced DBS check, including McGrews staff.	M	All city council establishment staff already who undertake work at the OFS have recorded DBS checks. Enhanced DBS checks have been requested immediately for casual supervisors who have not yet been DBS Checked. The Contracts & Community Services Manager has confirmed that relevant McGrew's staff have had DBS checks, certificates will be held on file.	Contracts and Community Services	01-Mar-18 01-Mar-18 01-Mar-18	Formal follow concluded recommendation fully actioned - closed.			
		A refreshed Fire Risk Assessment has been booked in with a competent provider and will be completed in the coming months. Work to recommission the fire alarm systems so the PA system is automatically disconnected, and that beacons are added to the wall, has already been commissioned. This is due for completion by the end of March 2018.		30-Mar-18 30-Mar-18	Formal follow concluded recommendation fully actioned - closed.			
	H	Staff have been reminded of the need to record alarms on a corporate incident report form as well as the fire log at the Old Fire Station. The supervisors' handbook has also been updated accordingly. A refreshed evacuation procedure has already been produced which mandates that Supervisors evacuate the building whenever the alarm is activated (irrespective of if it is a known false alarm or not).	Contracts and Community Services Manager	30-Mar-18 30-Mar-18	Formal follow concluded recommendation fully actioned - closed.			
Management should ensure the following: -formal documented contract management meetings are regularly held to gain assurance that McGrew's is adhering to the agreement; -that evidence is provided to give assurance that conditions of the contract are being followed. For example: that the service providers personnel is suitably qualified, adequately trained, all comply with all of the policies of the Council, are subject to a valid enhanced disclosure check where appropriate and information is received on a timely basis. -procedures / guidance should be agreed, documented and implemented to ensure consistency between Council and McGrew's events.	M	Formal contract management meetings with the concession holder have now been diarised on a twice yearly basis in June and December (which fits with the concession holder's financial year and when his audited accounts are produced). These meetings will be formally documented. At the June meeting each year the conditions of contract will be reviewed and a list of required documents / evidence will be completed and submission requested. The December meeting will focus on a review of audited accounts. Updated processes are being established with McGrew's and the TIC to ensure that ticket sales are recorded consistently. Updates to the reconciliation sheet will be accompanied with a date stamp and note for audit processes. The remittance frequency with McGrews will be increased to monthly to ensure more timely payment As per recommendation 4 - All files will be individually reviewed at the closure of each event, with any discrepancies in paperwork collated into a monthly report and submitted to the Contracts and Community Services Manager.	Contracts and Community Services Manager	01-Mar-18	Formal follow concluded recommendation fully actioned - closed.			
				30-Mar-18 01-Mar-18 01-Mar-18	Formal follow concluded recommendation partly actioned - replacement recommendation issued.			
	H	Management should ensure the following: - that ticket sales and income are accurately recorded. This should include a review of the system and documenting it to ensure consistency; - that McGrews monthly remittances are received and subsequently invoices raised on a timely basis; event files are appropriately completed and contain the required paperwork.	Contracts and Community Services Manager	01-Mar-18	Formal follow concluded recommendation fully actioned - closed.			

Audit Review						Assurance Level
2017/18 - Arts Centre - Old Fire Station (D1701)						Partial
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	
Management should ensure the following: -A cash handling and cash carrying risk assessment be completed as soon as possible and guidance / procedures agreed and document; -cash is held securely in line with insurance guidelines; -a separate record is maintained of cash held; -value should be signed for when handed over or received (recommended to have a cash handling logbook); -the box office should be locked when unattended and the till key should not be left in the till; -the store cupboards should be locked when unattended; -meeting rooms should be locked when not in use.	H	A cash handling and cash carrying risk assessment has already been produced in consultation with the Health and Safety Manager. Practice and processes have been updated to reflect this assessment.	Contracts and Community Services Manager	01-Mar-18	Formal follow concluded recommendation partly actioned - replacement recommendation issued.	
Management should ensure the following: -The Opening and closing procedures should be updated and should not detail the alarm code or the access gate code. These codes should be removed from the procedures as soon as possible; -Counter terrorism procedure / guidance should be documented which should include Run-Hide-Tell and bag searches; -Security procedures / guidance should be updated, documented, agreed and implemented to cover all aspects relating to OFS; -that all applicable staff receive CCTV operational training; -CCTV procedures / guidance should be agreed and documented as soon as possible. This should also include retention of data and what the process is if someone requested a copy of or to look at CCTV footage, for example the Police if an incident occurred; -Liaise with legal to ensure that they have adequate CCTV signage displayed at the OFS; -The CCTV should be regularly checked to ensure it is all in working order; -the key holders list should be reviewed and brought up to date. All premises keys should be signed for; -Rooms and cupboards containing equipment at the OFS should be locked when not in use.	M	The opening and closing procedures have been updated and do not detail any codes for alarms or access points.	Contracts and Community Services Manager	01-Mar-18	Agreed corporate policy required (joint meeting arranged October 2018). Review Q4 2018/19	
		The supervisor's handbook now contains procedures for counter terrorism and bag searches.		01-Mar-18		
		General security procedures and guidance will be reviewed in accordance with recommendation 2.		30-Jun-18		
		CCTV operational training has already been established for core staff with a further programme of training to be established with the manufacturer.		30-Jun-18		
		A corporate approach to procedures and guidance for operating CCTV across Council premises is under development. All Old Fire Station staff will be trained in, and adhere to this guidance.		30-Jun-18		
		Guidance will be sought from legal on the signage and the signage itself will be updated in accordance with any advice given.		30-Apr-18		
		Checks of the CCTV systems will be added to supervisor's duties before each event, with faults to be reported within the event pack returned.		01-Mar-18		
		The key holder list has been reviewed and updated. All key holders are being asked to sign to acknowledge key possession.		01-Mar-18		
		All staff have been reminded of the need to keep rooms and cupboards locked. Periodic and random checks will be undertaken on this element of security with a quarterly report provided to the Contracts and Community Services Manager.		01-Mar-18		
		We will continue to pursue individual insurance policies for all acts and promoters in the immediate short term. The proposed file audit will offer assurance in this area.		01-Mar-18		
Management should ensure that a copy of the appropriate valid insurance policy is on file for each event.	M		Contracts and Community Services Manager	01-Mar-18	Formal follow concluded recommendation fully actioned - closed.	

Audit Review						Assurance Level
2017/18 - Arts Centre - Old Fire Station (D1701)						Partial
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	
Management should establish how Mailchimp manages the information and ensure that this complies with the Council's Data Protection Policy and Procedures and appropriate guidance / procedures should be documented.	M	Further advice will be sought from the legal team regarding the use of mailchimp immediately and in the light of GDPR.	Contracts and Community Services Manager	30-Jun-18	Formal follow concluded recommendation fully actioned - closed.	

2017/18 - IT General Controls (H1707)						N/S
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	
We recommend that the Council provides new members of staff with information security training. In addition, members of staff should attend some information security training on a regular basis to remind them of their responsibilities regarding data and IT assets. Evidence from training attendance should be retained.	N/S	Currently, training is not of part Digital and Information Services remit. I will follow up this recommendation with our training unit.	ICT Services Manager	31-Dec-17	Management statement to be issued Q3 2018/19	
Given the criticality of data accessible through Active Directory, logs of information security events (i.e., login activity, unauthorised access attempts, access provisioning activity) created by these systems should be proactively, formally reviewed for the purpose of detecting inappropriate or anomalous activity. These reviews should ideally be performed by one or more knowledgeable individuals who are independent of the day-to-day use or administration of these systems.		I have evaluated a number of products and services which would provide an automated monitoring of logs and network activity as we do not have the resources to do this manually. I will be producing a reporting for consideration by the council's Senior Management Team on how we address this issue.	ICT Services Manager	31-Dec-17	Management statement to be issued Q3 2018/19	
Documented policies and procedures addressing change management processes and related control requirements (such as change testing, approvals, and documentation requirements) within Civica Authority Financials, Trent, and Academy should be established, formally approved by the appropriate members of the organisation, and communicated to relevant personnel responsible for implementing them and/or abiding by them		This had already been identified as an issue by the D&IS management team. A process to implement change control within the service will be developed and implemented.	ICT Services Manager	Not stated	Management statement to be issued Q3 2018/19	

2017/18 - Payroll (F1703)						Substantial
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	
The Contract arrangements with the Community Centres should be reviewed to ensure that they reflect the full service provided by the Council, including payroll provision	M	The Contractual arrangements with the Community Centres will be reviewed and an updated agreement put in place for the provision of payroll services	Service Support Team Leader	31 st October 2018	Management statement to be issued Q3 2018/19	
The personal data currently stored in an unsecure filing cabinet should be held securely and locked away when the office is empty	M	A full review of personal data held will be undertaken to ensure that there is compliance with GDPR. Secure storage will be obtained if necessary.	Service Support Team Leader	31 st March 2019 30th September 2018	Management statement to be issued Q3 2018/19	

Audit Review							Assurance Level
2017/18 - Income (F1702)							Reasonable
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status		
Assisted by Finance Officers, Service Managers should document service specific income guidance to include risks, cash carrying, receiving, receipting, securely retaining income in line with insurance requirements, the banking process and the Financial Procedure Rules.	M	Finance staff will assist by drafting guidance to be issued to all departments dealing with income with instructions to tailor to individual operational requirements.	Deputy Chief Finance Officer	31/07/2018	Management statement to be issued Q3 2018/19		
The annual declaration made by officers should explicitly state they are agreeing to adhere to the Credit and Debit Card Data Management Protocol.	M	Declaration will be updated.	Deputy Chief Finance Officer	31/07/2018	Management statement to be issued Q3 2018/19		
Management should remind all officers and councillors of the following: -Cash should only be given to officers in the work place; -All cash should be banked at the earliest opportunity; -All income received should be recorded and receipted; -Cheques should be accounted for and delivered to SST on the day that they are received.	M	A reminder email will be issued to all staff & members outlining requirements for dealing with cash in accordance with the Financial Procedure Rules.	Deputy Chief Finance Officer	31/07/2018	Management statement to be issued Q3 2018/19		
Management should ensure that an additional set of safe keys for the safe within the strong room are obtained and retained in a secure location.	M	Spare keys will be obtained and secured.	Deputy Chief Finance Officer	31/07/2018	Management statement to be issued Q3 2018/19		
Management should ensure that procedures / guidance is agreed and documented for the process for granting access to ICON for new users. The process should include documented approval and reasons for access from the line manager.	M	User access requests forms will be updated to ensure authorisation is appropriate for users requiring access to icon.	Deputy Chief Finance Officer	31/07/2018	Evidence of action provided 18/7/18 - Closed		
Audit Review							Assurance Level
2017/18 - Debtors (F1701)							Reasonable
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status		
The authorised signatory list should be reviewed and updated periodically.	M	The Chief Officers Scheme of Sub-Delegation signatory lists will be sent to PA's for specimen signatures and for distribution.	Service Support Team Leader	30th Sept 2018	Management statement to be issued Q3 2018/19		
Management should develop performance indicators to measure the performance of the debtors function.	M	A new corporate performance indicator is proposed for 2018/19 (CSR13) Proportion of Debts recovered. In addition, reviews will be undertaken to: Ascertain whether a report can be written to highlight the timeliness of raising an invoice by the department To report on the cancellations by departments and the quantity and value	Service Support Team Leader	30 th Sept 2018	Management statement to be issued Q3 2018/19		
Procedures should be reviewed and updated and where necessary be available corporately for the wider users of the debtors process.	M	Procedures will be reviewed and where necessary will be shared corporately via the Intranet	Service Support Team Leader	30 th Sept 2018	Management statement to be issued Q3 2018/19		
A thorough review should be undertaken of the paper files retained by the Debtors team. Access to personal information should be suitably restricted and records that are no longer required (in line with retention policies) should be confidentially destroyed.	M	A full review of personal data held will be undertaken to ensure that there is compliance with GDPR	Service Support Team Leader	31 st March 2019	Management statement to be issued Q3 2018/19		
Processes should be established to ensure timely invoicing from the point of service provision. The process should include reporting instances of continual late processing to allow for remedial action to be identified.	M	Managers will be reminded via email of the importance of raising invoices in a timely manner	Service Support Team Leader	31 st July 2018	Management statement to be issued Q3 2018/19		

Audit Review						Assurance Level
2017/18 - Business Continuity Planning (F1701)						Reasonable
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	
The Critical Service Recovery Plans should be reviewed to ensure they consistently include robust information and actions in line with those plans considered best practice.	M	A review of all critical services will be completed in the run up to the BCM exercise. This will ensure consistency and robustness of the information included in the plans.	Policy & Communications Manager	01/07/2018	Management statement to be issued Q3 2018/19	
The ICT elements of the Critical Services Recovery Plans and ICT disaster recovery plans need to be consistent in terms of priorities and estimated recovery timescales.	M	An ICT Disaster Recovery Plan is essential to provide a set of priorities and timescales for recovery. Once the recovery time objectives and recovery point objectives are set, they will be added to the BCM plans.	ICT Manager Policy & Communications Manager	01/11/2018 01/11/2018	Management statement to be issued Q3 2018/19 Management statement to be issued Q3 2018/19	
Information relevant to all Officers should be readily accessible. The existence and location of this information should be communicated to Officers	M	A new Skillsgate training module will make the relevant sections accessible to all officers.	Policy & Communications Manager	01/01/2019	Management statement to be issued Q3 2018/19	
		The roll-out of a new Sharepoint Intranet will also enable greater access to the generic BCM sections		01/03/2019	Management statement to be issued Q3 2018/19	
Members of the Crisis Management Team should be reminded of the need to retain the BCP wallet-card at all times.	M	Members of the Crisis Management Team have been reminded to retain access to the BCP wallet-card.	Policy & Communications Manager	01/04/18.	Management statement to be issued Q3 2018/19	
		Completed through Management Briefing Meeting and circulation of Notes (April 2018)			Management statement to be issued Q3 2018/19	
Audit Review						Assurance Level
2018/19 - Records Management (H1801)						Reasonable
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	
Once the Information Governance Policy and Procedures have been formally approved they should be placed on the intranet and distributed to all officers and members.	M	An Information Governance Framework (Policies and procedures) is being prepared. Once approved this framework, which will include an updated Records Management Policy, will be placed on the intranet or a Data Protection SharePoint Site.	Information Governance Manager	30/06/2018	Management statement to be issued Q3 2018/19	
Once all policy documents are approved, Management should review what updates need to be made to the Constitution in relation to information governance.	M	The Finance Retention Schedule has been reviewed, this will inform the review of the in the Financial Procedure Rules Retention Schedule in the	Chief Finance Officer/Deputy	31/07/18/	Management statement to be issued Q3 2018/19	
Management should ensure service managers are aware of the importance of reviewing and preparing a retention schedule and disposal log prior to the new GDPR regulation which comes in to force in May 2018.	M	The quarterly performance report will include indicators for retention schedules and disposal logs until 100% are complete. The End of Year Performance Report has included on update on compliance. This will be repeated in the Quarter 1 Report.	Policy & Communications Manager	08/05/2018	Management statement to be issued Q3 2018/19	
				01/07/2018		

Audit Review						Assurance Level
2018/19 - Corporate Charge Card (H1802)						Reasonable
Recommendation	Priority	Agreed action	Responsible Manager	Date	Status	Management statement to be issued Q4 2018/19
Card holders should sign a declaration to confirm their adherence to the credit card procedures (including ensuring only they use the card and that the suitable supporting documentation is obtained and completed). Card usage should be independently spot checked to ensure procedures are being adhered to.	H	A declaration form will be prepared and issued to all card holders to sign. This will be updated annually.	Deputy Chief Finance Officer	30/06/2018		

Audit of Smarter Service Delivery

Draft Report Issued: 18 July 2018
Director Draft Issued: 07 August 2018
Final Report Issued: 09 August 2018



Audit Report Distribution

Client Lead:	Customer Services Manager
Chief Officer:	Chief Executive
Others:	Service Improvement Officer Lead ICT Officer (T1094) Lead ICT Officer (T1095) Senior ICT Officer (T1102) Information Governance Manager
Audit Committee:	The Audit Committee, which is due to be held on 26 th September will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit

1.0 Background

- 1.1. This report summarises the findings from the audit of the Smarter Service Delivery project. This was an internal audit review included in the 2018/19 risk-based audit plan agreed by the Audit Committee on 19th March 2018.
- 1.2 Smarter Service Delivery is a long-term project being undertaken by the City Council to increase digital usage by City Council service users.
- 1.3 The project is underpinned by the transition of business processes to Salesforce, a customer relationship management software package. Numerous Council Services including Waste Services, Green Spaces and Environmental Health have been transitioned and are now processed using Salesforce.
- 1.4 In addition, Salesforce can be used for other aspects of business processes (e.g. stock control) and the Council is looking to expand the use of the software, modernising service delivery across the full Council.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Lead for this review was the Customer Services Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
 - Risk 1. Failure to achieve business objectives due to insufficient governance
 - Risk 2 Loss of or failure to secure sensitive personal information and comply with data protection legislation, resulting in sanctions and reputational damage.
 - Risk 3 – Implementation of Smarter Service delivery does not achieve intended objectives (e.g. an easier to access, more efficient service).
 - Risk 4 – Failure to successfully implement Smarter Service delivery due to lack of buy-in from service providers.
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix B**.
- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Smarter Service Delivery provide **Reasonable assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**.
- 4.2 There are 5 audit recommendations arising from this audit review and these can be summarised as follows:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	-
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	1
3. Information - reliability and integrity of financial and operational information (see section 5.4)	1	3
Total Number of Recommendations	1	4

- 4.3 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.
- 4.4 **Findings Summary (good practice / areas for improvement):**
There is a thorough governance framework in place to monitor delivery of the project, with regular financial, performance and risk monitoring in place. The Project's outcomes are well defined and progress is monitored by both Senior Management and Members. There is a strong understanding of roles and responsibilities within the team.

Suitable documentation is in place for each sub-project, which are delivered in line with the Council's Project Management procedures. Service providers are consulted throughout the process and demonstrated satisfaction with the support provided during transition to the new software.

In order to quantify the success of each sub-project it is suggested that performance of the perceived benefits identified at the start of the project are measured following completion. This information can then be used to learn lessons for future transitions to the Salesforce software.

Four recommendations have been made in relation to records management, particularly with regard to compliance with the new data protection legislation (GDPR).

There is currently no system in place to archive and delete personal information retained within the Salesforce and My Account software packages and users are currently not required to give consent to the use of their data (a requirement of the new legislation). In addition, there is a need for some officers to complete mandatory information governance e-learning introduced by the Council.

In addition, security of the data held in My Account could be improved by strengthening password requirements.

Comment from the Chief Executive

Thanks to Internal Audit. I am pleased to note that the recommendations will be implemented before the end of August.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** The Smarter Service Delivery Project is listed as a key priority within the Customer Services Service Plan for 2018/19.
- 5.1.2** A cross-departmental team (Customer Services and IT Services) is in place to manage delivery of the project. The team demonstrated a clear awareness of their responsibilities within the project and suitable reporting structures and clear, up to date job descriptions are in place.
- 5.1.3** The Chief Executive is the Senior Management Team member with responsibility for overseeing delivery of the project. The Chief Executive chairs the Transformation Board, which receives regular updates on progress against the project. Progress is also reported to Members via the Business Transformation Scrutiny Panel.
- 5.1.4** Performance monitoring is in place to measure the take-up of digital services, including a Performance Indicator (as part of the Council's Corporate Performance Monitoring Framework) to measure the percentage of online service requests. The Transformation Board also receives regular updates to the number of on-line accounts registered by residents.
- 5.1.5** At the time of review, a target had not been set for the 2018/19 performance indicator. As the previous year's target was achieved, Internal Audit advise that any target set for the current year aims to continually improve services (i.e. is greater than the previous year's target).
- 5.1.6** The Customer Services Manager also prepares a series of detailed performance dashboards to monitor overall usage of Salesforce, including the extent of digital services being utilised.
- 5.1.7** Financial performance is monitored on a regular basis, with no concerns arising.
- 5.1.8** Risks are reviewed by the Customer Services Manager on a regular basis, who has recently added a new risk to reflect the introduction of the new Data Protection legislation in March 2018 (See section 5.3).
- 5.1.9** Discussions with the Customer Services Manager indicated a good understanding of the risks faced by the project and suitable mitigating strategies are in place. Guidance was provided during the audit to ensure risks are formally documented as having been reviewed with Project Server (the Council's Risk Monitoring software).

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1** The core role of the Project Team is to oversee the transition of Council Services onto Salesforce.
- 5.2.2** The Council replaced the previous Customer Resource Management tool with Salesforce, which is now used by Customer Services to process all queries and direct service requests.
- 5.2.3** Service delivery is now also being transitioned to Salesforce (via a series of sub-projects), so that the full business process is contained within the software. Green Spaces, Waste Services and Pest Control have already been transitioned and the team are currently in the process of transitioning Enforcement.
- 5.2.4** Individual sub-projects are managed using the Council's Project Management methodology, which has a defined procedure in place for both large and small projects (depending on a scoring process based on the perceived size and complexity of the project).
- 5.2.5** A review of a sample of sub-projects indicated suitable business cases are documented, with project outcomes clearly defined from the onset. However, it was found the project scoring was not visible; it is advised this information is retained within the business case documentation (to ensure transparency of the process).
- 5.2.6** The Service Improvement Officer works closely with the Service Provider to understand and review existing processes, including determining if any efficiencies or improvements can be made to the process. IT Services then develop modules within Salesforce to ensure processes can be delivered in line with service provider and service user requirements.
- 5.2.7** Project Documentation, including meeting notes, user acceptance testing and an audit trail of work done by the IT team is retained within 'Confluence', an online repository used to aid the Project Management process. Suitable documentation was held on file for the sample of projects reviewed.
- 5.2.8** Feedback from Service providers indicated they were satisfied with the level of support and guidance received both throughout and after the transition period. The only area of concern raised relates to the level of resource available. It was identified that a member of IT services responsible for developing Salesforce modules is vacating their post. It is advised that resource levels are reviewed, to ensure the level of support provided to service users is not compromised.

- 5.2.9** At the start of each sub-project measurable benefits (e.g. an increase in online applications) are identified that are expected to be realised following completion of the transition.
- 5.2.10** To date, there has been no measurement of these potential benefits following full implementation of a new service.
- 5.2.11** Obtaining this performance data would give insight into which perceived benefits have been realised and which have not. These findings will act as valuable information for the transition of future services.

Recommendation 1 – Following project completion, measurements should be taken to determine if perceived benefits outlined at the project's onset have been realised.

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** Sensitive personal information is retained in both My Account (an application within the Council's internet site, used to allow residents to create online accounts) and Salesforce.
- 5.3.2** A document retention schedule is in place, listing the type of information held within each system. There is currently no specified retention periods for the information retained, nor is there a process to archive or delete records within either system.
- 5.3.3** Both systems are relatively new and therefore currently do not contain out of date information, therefore the current risk exposure is considered medium.
- 5.3.4** It is still imperative an archiving and deletion process is established to ensure personal information no longer required by the authority is deleted (for example, customer accounts that have not been used for a number of years should be considered for deletion). If this issue is not addressed the Council will eventually be holding out of date and unnecessary personal information, resulting in a breach of data protection legislation (therefore increasing the risk exposure to high).

Recommendation 2 – A process should be developed to archive and/or delete personal information held within both Salesforce and My Account, in line with suitable retention periods.

- 5.3.5** The new data protection legislation requires individuals to consent to the use of their personal data. This consent must be clear, cover all uses and must not be enticing.

5.3.6 While the Council has a suitable privacy notice in place on its website, at the time of the audit there is no process in place for service users registering an online account with the Council to consent to their data being used.

Recommendation 3 – A consent notice should be implemented within My Account that requires all registered users (both new and historic) to give consent to their personal information being used by the Council.

5.3.7 Data within My Account is held on the Council's servers and therefore protected by the Council's firewall security. Access to this information within the Authority is restricted to the relevant Administrator.

5.3.8 Public access to individual accounts is restricted by a series of security facilities including password control, e-mail verification and security questions. In addition, further verification (such as providing a bill reference) is required for an individual to request services.

5.3.9 The current requirements for the application's password facility was found to be at the lowest security level (no combination of letters, numbers or special characters required). There is an option within the system to enforce system users to create a stronger password.

Recommendation 4 – Users should be required to use stronger passwords (a combination of letters/numbers/special characters) within My Account.

5.3.10 The Salesforce software was procured via the Government's G-Cloud framework contract. To be on the framework, the Software provider has had to satisfy central government that their product is both secure and compliant with data protection legislation.

5.3.11 Access to Salesforce is restricted to Council officers responsible for processing service requests (both within Customer Services and the specific service area). A review of current users found it to be up to date and suitable. It is advised that this is monitored on a regular basis (at least annually) to ensure access permissions remain up to date.

5.3.12 As at May 2016 Council Officers with access to personal information are required to have completed mandatory data protection e-learning in relation to their responsibilities for protecting personal information.

5.3.13 As at the start of July 2018, 29% of licensed users on Salesforce had not completed the training.

Recommendation 5 – Steps should be taken to ensure all Council Officers with access to sensitive personal information within Salesforce undertake the mandatory information governance e-learning, or have their access removed to the information.

5.3.14 The Council potentially shares some personal information within Salesforce with a third party. A suitable data sharing agreement is in place between the two organisations to ensure information is shared securely and confidentially.

5.3.15 Forms have been designed to ensure service users consent to their personal information being provided to the third party.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Following project completion, measurements should be taken to determine if perceived benefits outlined at the project's onset have been realised.	M	Failure to identify and rectify failures to improve service delivery. Inability to apply lessons learned to future transition projects.	Ensure communications are in place between Customer Services and IT to measure the benefits outlined on the business case.	Customer Services Manager	Implemented
A process should be developed to archive and/or delete personal information held within both Salesforce and My Account, in line with suitable retention periods.	M	Council in possession of unnecessary personal information. Risk of breaching data protection legislation. Risk of fines and sanctions.	Scheduled deletion and disposal report tool is currently being configured. MyAccount specific privacy policy is being introduced with appropriate retention schedules applied.	Customer Services Manager	31 August 2018
A consent notice should be implemented within My Account that requires all registered users (both new and historic) to give consent to their personal information being used by the Council.	H	Risk of breaching data protection legislation. Risk of fines and sanctions.	Appropriate wording and hyperlink to the MyAccount privacy policy is under construction. Tick box will also be added to allow user to give explicit consent.	Customer Services Manager	31 August 2018

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Users should be required to use stronger passwords (a combination of letters/numbers/special characters) within My Account.	M	Personal data hacked from Council's application.	Investigating stronger password settings for MyAccount. If not possible, we will provide guidance on password strength.	Customer Services Manager	31 August 2018
Steps should be taken to ensure all Council Officers with access to sensitive personal information within Salesforce undertake the mandatory information governance e-learning, or have their access removed to the information.	M	Loss or breach of personal information due to officers failing to process in line with legislative requirement.	Email sent out 30/07/2018 to all advisors stating the need to complete the training. Management will monitor completion for each team member with the aim of all advisors compliant by 03/08/2018.	Customer Services Manager	3 August 2018

Appendix B

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of existing control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations used; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Audit of Noise Pollution Complaints (Environmental Health)

Draft Report Issued: 03 August 2018
Director Draft Issued: 17 August 2018
Final Report Issued: 6 September 2018



Audit Report Distribution

Client Lead:	Regulatory Services Manager
Chief Officer:	Director of Governance and Regulatory Services Chief Executive
Others:	Information Governance Manager
Audit Committee:	The Audit Committee, which is due to be held on 26 th September 2018 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from the audit of Noise Pollution Complaints (Environmental Health). This was an internal audit review included in the 2018/19 risk-based audit plan agreed by the Audit Committee on 19th March 2018.
- 1.2 There is a statutory duty for Carlisle City Council to cause its area to be inspected from time to time to detect any statutory nuisances which ought to be dealt with under section 80 of the Environmental Protection Act 1990 and, where a complaint of a statutory nuisance is made to it by a person living within its area, to take such steps as are reasonably practicable to investigate the complaint

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk-based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Lead for this review was the Regulatory Services Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
 - Failure to achieve business objectives due to a lack of governance
 - Processes are not followed, and the service does not comply with legislation requirements including sanctions for non-return of information.
 - The service fails to document they have undertaken inspections and complied with their statutory obligations.
 - Reputational damage through complaints not being actioned leading to reputational damage.
 - Loss or failure to secure sensitive personal information and comply with data protection legislation, resulting in financial penalties and reputational damage.
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion, and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix B**.
- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Noise Pollution provide **Substantial assurance**.
Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**.
- 4.2 There are three audit recommendations arising from this audit review and these can be summarised as follows:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives (see section 5.1)	-	1
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	2
3. Information - reliability and integrity of financial and operational information (see section 5.4)	-	-
4. Security - safeguarding of assets (see section 5.3)	-	-
5. Value – effectiveness and efficiency of operations and programmes (see section 5.5)	-	-
Total Number of Recommendations	-	3

- 4.3 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

4.4 Findings Summary (good practice / areas for improvement):

There are good controls in place to support the governance of the noise pollution statutory function and to ensure that good service planning is in place.

Processes are in place which are well documented, with management checks in place to ensure that they are followed and that the service complies with legislation requirements. Improvements should be made to the regularity of the management checks to ensure that all the information is correctly recorded.

Flare, the case management software, enables officers to manage their workloads and for managers to review all cases. There is evidence that some officers do not clear their flare diaries regularly, which could result in delayed actions. The annual returns are completed timely and information is verified.

Processes are in place to ensure personal data is retained securely, however the paper records should be locked away out of office hours and a retention policy should be in place for the noise data retained within Salesforce.

Comment from the Director of Governance and Regulatory Services

Thanks to the team for their work in delivering a service which has gained a substantial assurance. Thanks also for the Audit Report which is duly noted.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** A Service Plan is in place and although there is no direct mention of noise pollution it is included within the compliance with our statutory duties to regulate for Food; Public Health; Health and Safety at work; Licensing; Housing conditions and Pollution Control.
- 5.1.2** A detailed structure is in place within the Governance and Regulatory Services, representing the current staffing which was recently reviewed. There are job descriptions in place for all the regulatory services staff responsible for noise pollution.
- 5.1.3** Monthly team meetings are taking place to ensure that staff are kept up to date with service needs and any changes. The team appraisal has been undertaken and evidence was seen to confirm that the team's training needs are identified. Trained officers are working at appropriate levels within the team and training records are maintained and updated appropriately.
- 5.1.4** A performance indicator is in place for the service to ensure cases are actioned. Testing confirmed it is accurately reported and that the team performance exceeded their target for 2017/18.
- 5.1.5** Monthly budget monitoring reports are sent to the Regulatory Services Manager and regular monitoring meetings take place with Finance.
- 5.1.6** There are regular meetings between the Director and the Service Manager, reporting on progress and any concerns are raised.
- 5.1.7** Management verification checks are being undertaken on cases within Flare. However, the percentage of checks currently being undertaken by line managers is low (5%). The Regulatory Services Manager had advised the target is approximately 20%

Recommendation 1 - Line managers should increase the level of management checks undertaken in line with the departmental target.

5.2 Regulatory – compliance with laws, regulations, policies, procedures and contracts

- 5.2.1** Detailed procedure notes are in place. They are provided externally and are kept up to date, with timely amendments for changes in legislation.
- 5.2.2** Testing concluded that there is a detailed procedure document in place for individuals to raise complaints relating to noise nuisances. There was an issue raised whilst undertaking a walkthrough of the Service request flow chart about how the completed booklet is dealt with once returned to the council.
- 5.2.3** It is advised that the internal flowchart is updated to reflect current practices with relation to the council receiving the completed booklet and raising cases on Flare.
- 5.2.4** The annual return is submitted timely, and the information is verified prior to submission.
- 5.2.5** Paper records (which contain personal information) are generated at the start of a case and are maintained during the process. They are currently stored on Officer's desks during the process, which can be up to a year. The Service requests and are then confidentially destroyed following the completion of the audit.

Recommendation 2 - Service request notices containing personal information should be stored securely in the office and locked away out of hours.

- 5.2.6** Once a file is closed a deletion date is automatically created within the Flare system. There will then be a manual process to delete records accordingly.
- 5.2.7** Personal information is stored within Salesforce. A separate audit of this system identified a requirement to identify data retention periods for all information stored in the system. It is advised that Environmental Health work with Customer Services to ensure suitable retention periods are identified for relevant data.
- 5.2.8** The registration with the Information Commissioners Office (ICO) covers the data held by Regulatory Services.

5.3 Information – reliability and integrity of financial and operational information

- 5.3.1** Flare is the electronic case management system used by Regulatory Services. All cases are entered onto the system once a complaint is formally raised. The Technical Officers within the service input the cases onto the system and the cases are then assigned to Health and Housing Officers.
- 5.3.2** Officers can review their workloads through a diary action which enables them to keep track of their workloads and ensure actions are completed on a timely basis. A report was produced by the Service Improvement Officer and the testing concluded that some officers aren't clearing their diary actions regularly and that work actions can therefore not be identified and addressed
- Recommendation 3 - Officer diary entries within Flare should be reviewed in their one to ones to ensure that workload is regularly assessed.**
- 5.3.3** Management can run reports from the Flare system as necessary to gain assurance over the case progression and the outstanding actions
- 5.3.4** All the information within the system is verified prior to the submission of annual return

5.4 Security – Safeguarding of Assets

- 5.4.1** Electronic Systems are password protected and the individual officers are set up with varying specific permissions relevant to their role.

Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Line managers should increase the level of management checks undertaken in line with the departmental target.	M	Incorrect practice not identified and rectified.	AGA code has been produced to confirm management audits. Principal Health and Housing Officers have been informed of this requirement and are being monitored through Flare reporting. Regulatory Services Manager to follow up performance standard with the Principals.	Regulatory Services Manager	30 September 2018.
Service request notices containing personal information should be stored securely in the office and locked away out of hours	M	Personal information is made available to unauthorised individuals. Breach of data protection legislation.	<ol style="list-style-type: none"> 1. Officers to be informed to secure private information either by using locked draws or looking at other locked filing systems. 2. Office areas restricted by authorised key fobs. 3. Discussion required at Governance DMT on the types of information which can be left on a desk. 	Regulatory Services manager	01 September 2018
					3 September 2018
Officer diary entries within Flare should be reviewed in their one to ones to ensure that workload is regularly assessed.	M	Delays in delivering actions.	This is occurring with Principals having lists of officers un responded service requests and open service requests. Along with the increase in management auditing the officer data records should improve. The one to one discussions on Flare recording have started.	Principal Health and Housing Officers	To review performance in September 2018 reporting.

Appendix B

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of existing control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix C

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations used; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Audit of:

Sands Centre Redevelopment (Governance arrangements)

Draft Report Issued: 22 August 2018
Director Draft Issued: 06 September 2018
Final Report Issued: 06 September 2018



Audit Report Distribution

Client Lead:	Contracts & Community Services Manager
Chief Officer:	Deputy Chief Executive Chief Executive
Audit Committee:	The Audit Committee, which is due to be held on 29 th September 2018 will receive a copy of this report.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises findings from the audit of governance arrangements for the Sands Centre redevelopment project. This was an internal audit review included in the 2018/19 risk-based audit plan agreed by the Audit Committee on 19th March 2018.
- 1.2 The redevelopment of the Sands Centre is designed to improve the provision of sport and leisure facilities in the area and has been a long-term aspiration for the Council.
- 1.3 The Council has employed a multi-disciplinary design team (MDDT) to oversee the design and valuation of the project.
- 1.4 In March 2018 Council approved the development of the project up to Royal Institute of British Architects (RIBA) stage 4, including obtaining planning permission for the development. A final design and tendered price will be presented and subject to Council approval once planning permission has been obtained.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.

Audit Scope and Limitations.

- 2.3 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Lead for this review was the Contracts and Community Services Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
 - Project fails to meet intended objectives due to limited governance and monitoring arrangements being established at the start of the project;
 - Project is unnecessarily delayed due to limited monitoring of progress and risk;
 - City Council does not maintain control of the project due to externalisation of project management responsibilities;
 - Unplanned financial pressures on the authority through failure to prepare and continuously monitor budgetary requirements of the project
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

3.1 Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix A**.

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Sands Centre Redevelopment (Governance Arrangements) provide **Substantial assurance**.

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

4.1 There are no audit recommendations arising from this audit review.

4.2 **Findings Summary (good practice / areas for improvement):**

The Council has put into place a suitable governance process to monitor the delivery of this key strategic project. A highly experienced, multi-disciplined team has been established that meet on a regular basis to monitor progress, risk and outstanding actions. Representatives of the Council are present at the meetings and have demonstrated that the Council maintains control over the overall direction of the project.

Senior Officers and Members receive regular updates regarding the project's progress.

Financial information has been reviewed and processes are established to monitor changing requirements.

Comment from the Deputy Chief Executive

We welcome this review of the arrangements for delivering this major project and take confidence from the reported outcomes.

5.0 Audit Findings & Recommendations

5.1 Management – Achievement of the organisation's strategic objectives

- 5.1.1** The redevelopment of the Sand Centre is highlighted as a key priority for the Council as part of the Contracts & Community Services Service Plan. The Contracts and Community Services Manager and Deputy Chief Executive are responsible for overseeing delivery of this project.
- 5.1.2** Following a procurement exercise, the Council appointed a Multi-Disciplinary Design Team (MDDT) to oversee development of the project. The team consists of Architects, Designers, Engineers and a flood risk consultant, all with suitable experience of developing similar projects. Additionally, an experienced company has been appointed to act as the Council's employer's agent.
- 5.1.3** The team meet on a regular basis to review financial, design and risk issues, as well as monitor progress against the project's established timetable. Internal Audit attended a project meeting as an observer and noted that City Council representatives attend and ensure the Council's requirements are clearly known and set to be delivered.
- 5.1.4** A process is in place to monitor any outstanding issues, which are reviewed at each meeting. In addition, the Employer's Agent maintains an open-issues log to manage the completion of key issues.
- 5.1.5** A SharePoint website has been established to allow all members of the MDDT to upload and share key documentation, including project timelines, relevant reports, financial information and relevant meeting minutes.
- 5.1.6** The anticipated costs of the project have been established and continue to be monitored by a Quantity Surveyor (MDDT). Regular stress checks take place to ensure cost assumptions are reviewed and updated.
- 5.1.7** The Council's Deputy Chief Finance Officer is responsible for monitoring the Council's funding requirements for the project. Suitable arrangements are in place to fund the project, with the cost of borrowing set to be offset by the removal of a subsidy currently being paid to the current leisure provider.
- 5.1.8** Current expenditure is monitored as part of the Capital Programme monitoring process.
- 5.1.9** The Deputy Chief Finance Officer attends project meetings as required. It is advised that they are added to the current distribution list for all minutes and also given access to the project's SharePoint site.

- 5.1.10** A detailed risk register is in place specifically for the project. Discussions with the Contract and Community Services Manager provided assurances that the Council has a good understanding of the nature of the listed risks and that suitable mitigating actions are in place to manage project risks.
- 5.1.11** Relevant formal updates are provided to the Council's Executive and Joint Management Team on a regular basis. In addition, further informal briefings are in place to ensure senior officers and members are up to date with the project's progress.
- 5.1.12** The Council has consulted with external stake-holders on the project, including Sport England (potential grant funding), the Environmental Agency (flood risks) and service-users. A report on the project's stakeholder engagement has been prepared and was found to be comprehensive.
- 5.1.13** A full consultation event for members of the public was held at the venue in June 2018.

Appendix A

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of existing control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Audit follow up of The Old Fire Station (OFS)

Draft Report Issued: 18 July 2018

Director Draft Issued: 6 August 2018

Final Report Issued: 11 September 2018



Audit Report Distribution

Client Lead:	Contracts and Community Services Manager
Chief Officer:	Deputy Chief Executive Chief Executive (Final Report)
Others:	Information Governance Manager Community Development Officer
Audit Committee:	The Audit Committee, which is due to be held on 26th September 2018, will receive summary findings and recommendations from this audit.

Note: Audit reports should not be circulated wider than the above distribution without the consent of the Designated Head of Internal Audit.

1.0 Background

- 1.1. This report summarises the findings from a follow up audit of The Old Fire Station. This was an internal audit review included in the 2018/19 risk-based audit plan agreed by the Audit Committee on 19th March 2018.
- 1.2. The original audit was carried out during December 2017 and January 2018, resulting in a conclusion of partial assurance and fifteen recommendations. A management action plan was completed detailing agreed actions, responsible manager and implementation dates to address the recommendations (Appendix A). This follow-up report provides an update on progress made against this action plan.
- 1.3. The OFS is viewed as a major success and is a well established venue not just in Cumbria but in the wider region. Officers are currently holding meetings with arts groups and promoters to gauge interest in the future operational requirements including potential outsourcing of the OFS to cover wider functions and to see how the OFS can be further developed.

2.0 Audit Approach

Audit Objectives and Methodology

- 2.1 Compliance with the mandatory Public Sector Internal Audit Standards requires that internal audit activity evaluates the exposures to risks relating to the organisation's governance, operations and information systems.
- 2.2 A risk based audit approach has been applied which aligns to the five key audit control objectives (see section 4). Detailed findings and recommendations are reported within section 5 of this report.
- 2.3 The Client Lead was asked to provide an update on progress made implementing the agreed actions. Internal Audit then undertook testing as necessary to confirm that actions have been fully implemented and that controls are working as intended to mitigate risk

Audit Scope and Limitations.

- 2.4 The original scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risk areas:
 - Risk 1- Core Council priorities are not achieved / supported because the Arts Centre's objectives are not clearly defined, approved, aligned and communicated and / or insufficient monitoring of the performance of the centre.
 - Risk 2 - Failure to meet Council's procedures / guidance on H & S for the Arts Centre leading to staff and members of the public being put at risk.

- Risk 3 - Safeguarding of assets is not effective because unauthorised individuals can access the premises / premises not secured and / or inadequate safeguarding arrangements (such as insurance).
- Risk 4 – Poor quality information resulting in incomplete financial records and poor performance.
- Risk 5 - Reputational damage due to failure to manage above risks appropriately.

- 2.5 It is the responsibility of management to monitor the effectiveness of internal controls to ensure they continue to operate effectively.
- 2.6 There were no instances whereby the audit work undertaken was impaired by the availability of information.

3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in **Appendix C**.
- 3.2 Where the findings of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.
- 3.3 From the areas examined and tested as part of this follow up review we consider the current controls operating within the OFS provide **reasonable** assurance (revised from partial assurance).

Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.

4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**.
- 4.2 The previous audit included fifteen recommendations (See Appendix A) of which:
- Eleven agreed actions have been successfully implemented.
 - Four agreed actions have been partially implemented.

- 4.3 There are four audit recommendations arising from this audit review and these can be summarised as follows:

Control Objective	High	Medium
1. Management - achievement of the organisation's strategic objectives (see section 5.1)	-	1
2. Regulatory - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	-
3. Information - reliability and integrity of financial and operational information (see section 5.4)	-	1
4. Security - safeguarding of assets (see section 5.3)	-	2
5. Value – effectiveness and efficiency of operations and programmes (see section 5.5)	-	-
Total Number of Recommendations	-	4

- 4.4 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix B.

4.5 **Findings Summary:**

The OFS team have worked hard and have made good progress since the previous audit review earlier this year, quickly resolving the high graded recommendations. Recommendations have been promptly actioned around fire safety, income management, general building security, health and safety, cash handling and security of value, staff training, risk and event management. Only four recommendations remain work in progress.

Good progress has been made with documenting procedures and guidance for the OFS. Further work is currently ongoing with these, for example, around documenting CCTV procedures, bag searches and administrative tasks.

The OFS team have implemented their own processes to gain assurance that statutory health and safety and building maintenance checks are being undertaken at the OFS which now includes twice yearly maintenance meetings with property services; the first meeting was held in April 2018.

Management has sought advice from HR about appropriate arrangements for casual posts. HR have confirmed that this will be included in a Council wide review and a working group will be established to look at these issues.

Contract management meetings have been arranged on a bi-annual basis. A Meeting has been held with McGrew's where they discussed ensuring there is consistency

between Council run events and McGrew's events. McGrew's have been provided with the relevant documentation and procedures and guidance that they must follow. Further checks need to be completed to ensure that these are being followed.

Comment from the Deputy Chief Executive

It is encouraging to see the progress being made by the OFS team being acknowledged in this follow up report.

The on-site team and support officers will continue to address the outstanding actions contained in this report.

5.0 Audit Findings & Recommendations

5.1 Recommendation 1 – Risk Management

- 5.1.1** The previous audit recommendation identified that service risks should be reviewed in accordance with the Council's Risk Management Policy and that project server should be manually updated to confirm this.
- 5.1.2** Audit testing established that risks detailed on project server for the OFS had been reviewed (quarterly) in line with the Council's Risk Management Policy.

5.2 Recommendation 2 – Guidance / Procedures

- 5.2.1** The previous audit recommendation identified that management should ensure that procedures / guidance is agreed and documented for all areas of the service including areas identified within the audit review. All guidance / procedures should be dated and version controlled.
- 5.2.2** Good progress has been made with documenting procedures and guidance for the OFS. Further work is currently ongoing with these, for example, around regular checking of CCTV (to confirm it is working and recording correctly), bag searches and administration tasks including reconciling monthly remittances of ticket sales.

Recommendation 1 – Management should ensure that all procedures / guidance are completed in full, approved and rolled out to all relevant staff. (Medium)

5.3 Recommendation 3 – Health and Safety and Building Maintenance

- 5.3.1** The previous audit recommendation identified that arrangements should be put in place to ensure that management receive regular assurance that all defects have been fixed and that statutory health and safety and building maintenance checks are being undertaken at the OFS. Management should consider how these checks and their outcomes should be documented and reviewed and that any remedial actions are undertaken.
- 5.3.2** A 'Reporting Building Defects' procedure has been documented. This will be approved by management as soon as possible.

- 5.3.3** A spreadsheet is maintained by the OFS team to record and monitor building defects.
- 5.3.4** A spreadsheet has been implemented to record and monitor property maintenance checks including health and safety checks.
- 5.3.5** Twice yearly maintenance meetings between the OFS team and property services have been introduced with the first meeting being held in April 2018.

5.4 Recommendation 4 – Event Risk Assessments

- 5.4.1** The previous audit recommendation identified that not all events had an appropriate risk assessment on file.
- 5.4.2** Audit testing checked a random sample of event files and found a copy of the appropriate risk assessment on file.

5.5 Recommendation 5 – Casual posts

- 5.5.1** The previous audit recommendation identified that management should seek advice from HR with reference to casual posts.
- 5.5.2** Management has sought advice from HR about appropriate arrangements for casual posts. HR have confirmed that this will be included in a Council wide review and a working group will be established to look at these issues.

5.6 Recommendation 6 – Gifts and hospitality and any other interests

- 5.6.1** The previous audit recommendation identified that officers declare and resolve any interests, relationships, gifts and hospitality as per the requirement in the Officers' Code of Conduct.
- 5.6.2** Management sent an email reminder out to the OFS team with reference to the requirement to record any interests, relationships, gifts and hospitality.
- 5.6.3** Audit testing identified examples where the team have completed the gifts and hospitality register when they have accepted hospitality for local events.

5.7 Recommendation 7 – Training and staff reviews / appraisals

- 5.7.1** The previous audit recommendation identified that the OFS team including casuals and McGrew's staff should receive the appropriate training to carry out their roles safely and effectively. The OFS team should have regular formal 1 to 1's and that annual appraisals are documented and retained.
- 5.7.2** A training schedule spreadsheet is maintained for the OFS (For Council Officers & McGrew's staff). This is an operational working document and is updated on an ongoing basis, a copy of this spreadsheet was provided during the audit follow up.
- 5.7.3** Audit testing also confirmed that formal 1 to 1's are being undertaken and a team appraisal was completed.

5.8 Recommendation 8 – DBS checks

- 5.8.1** The previous audit recommendation identified that a system should be in place to ensure that all appropriate officers have a valid enhanced DBS check, including McGrew's staff.
- 5.8.2** There is now a process in place to ensure that all appropriate officers have a valid DBS check. At the time of the audit 7 out of 10 staff have a valid DBS check and the remaining three hold a DBS Scotland check. Management have requested that the remaining three apply for an DBS England check which they are in the process of obtaining.

5.9 Recommendation 9 – Fire Safety

- 5.9.1** The previous audit recommendation identified several fire safety issues that needed to be resolved as soon as possible.
- 5.9.2** A fire risk assessment was completed on 20 March 2018.
- 5.9.3** The fire alarm has been reconfigured so that the power cuts off to the stage and the mixing desk if the alarm activates.
- 5.9.4** The OFS team have been updated and made aware of the evacuation process and the relevant procedures.

5.10 Recommendation 10 – Contract Management

- 5.10.1** The previous audit recommendation identified that there was no formal contract management arrangements in place and inconsistencies between Council and McGrew's events.
- 5.10.2** Contract management meetings have been arranged for the rest of 2018.
- 5.10.3** Meetings are also being held with McGrew's where they discuss ensuring there is consistency between Council run events and McGrew's events. McGrew's have been provided with the relevant documentation and procedures and guidance that they must follow.
- 5.10.4** Further checks need to be completed to ensure that these are being followed.

5.11 Recommendation 11 – Ticket sales and administration

- 5.11.1** The previous audit recommendation identified inconsistencies between monthly remittances and the operational spreadsheet, delays in receiving McGrew's monthly remittances which resulted in delays for invoices being issued and missing / incomplete documentation from event files, for example, contract / agreement.
- 5.11.2** A sample of monthly remittances were successfully traced to the operational spreadsheet.
- 5.11.3** Audit testing highlighted that Skiddle remittances should be reconciled to the operational spreadsheet to ensure that any anomalies identified have been resolved.
- 5.11.4** At the time of the audit review invoices for McGrews had been issued up to the end of March 2018.

Recommendation 2 – Skiddle remittances should be reconciled to the operational spreadsheet and any anomalies queried and resolved. (Medium)

5.12 Recommendation 12 – Unsecured value and cash handling

5.12.1 The previous audit recommendation identified examples of unaccounted for and unsecured cash.

5.12.2 A cash carrying risk assessment has now been completed and is due to be reviewed in January 2019.

5.12.3 Audit completed a walk around at the OFS on 12 June 2018 and the following was noted:

- Cash carrying log book is now in use and is retained in the box office. It was noted that they currently do not complete this if the Supervisor is giving McGrew's money to retain in their safe overnight, nor do they complete it when the money is returned. Following this the Community Development Officer sent an email (on 15 June 2018) advising staff that they need to complete the cash carrying log book when transferring value between the box office and McGrew's safe. A small safe has now been purchased and is currently situated in the upstairs office, although it is not yet in use.
- The lock has been changed on the door to the Box Office so that the door automatically closes / locks.
- The till and store cupboards were locked during the audit visit.
- Both upstairs meeting rooms were in use during the audit visit.

Recommendation 3 – Management should ensure that the safe is relocated to the box office and put into use as soon as possible. (Medium)

5.13 Recommendation 13 – General Security at the OFS

5.13.1 The previous audit recommendation identified several weaknesses in security at the OFS.

5.13.2 A copy of the opening & closing procedure was provided and reviewed. The procedures require updating as they detail the alarm code and gate access code although it does not make reference to the building they refer to.

Recommendation 4 – The alarm and access gate codes should be changed and removed from the opening and closing procedures. (Medium)

5.13.3 Audit completed a walk around at the OFS on 12 June 2018 and the following was noted:

- A copy of the Run-Hide-Tell poster is retained in the Supervisor's file in the box office and a copy is also retained in McGrew's operational file. Consideration should be given to displaying these posters in public areas, for example the toilets.
- Several CCTV signs are displayed around the OFS so the public can clearly see them.
- The CCTV was found to be recording.

5.13.4 Bag search guidance and zero tolerance drug use policy has been mentioned in the Event Supervisor procedures, this needs to be further explored and approved by management. **See Recommendation 1.**

5.13.5 Legal Services are in the process of developing a corporate CCTV policy and in line with this the Community Development Officer has started a CCTV procedure / guidance for the systems in use at the OFS, this does not yet include a regular check of the CCTV to confirm that it is working and recording correctly. **See Recommendation 1.**

5.13.6 The Community Development Officer confirmed that the OFS team have received CCTV training.

5.13.7 An up to date keyholders list was provided

5.14 Recommendation 14 – Public Liability Insurance

5.14.1 The previous audit recommendation identified that artists and bands do not always provide a copy of their public liability insurance for their event at the OFS.

5.14.2 Audit reviewed a random sample of event files to establish if a valid copy of insurance was on file, no issues were noted.

5.15 Recommendation 15 – GDPR (General Data Protection Regulation)

5.15.1 The previous audit recommendation identified that management were unsure how Mailchimp manages the OFS data and as a result if they are compliant with the Council's Data Protection Policy.

5.15.2 Audit was provided with confirmation that Mailchimp comply with the Council's Data Protection Policy.

Appendix A – Original Management Action Plan

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
Recommendation 1: Management should ensure that service risks are reviewed in accordance with the Council's Risk Management Policy. When reviewed the reviewed / modified field on project server should be manually updated.	M	If risks are not regularly monitored there is a risk that Council priorities are not achieved / supported.	Key risks for the Old Fire Station are already recorded on project server in accordance with Council Risk Management policy and are reviewed quarterly along with other service risks. During the audit the most recent review of OFS risks had not included updating of the date field (which does not occur automatically). The subsequent quarterly review of these risks has updated the date field.	Contracts and Community Services Manager	01 March 2018	Yes

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
Recommendation 2: Management should ensure that procedures / guidance is agreed and documented for all areas of the service including areas identified within this audit review. All guidance / procedures should be dated and version controlled.	M	If procedures and processes are not clearly documented there is a risk that the OFS objectives are not achieved as officers may be unsure of their roles and responsibilities.	A number of key processes are already mapped and recorded. An internal review will be held within the team to identify a full list of processes to be recorded, and a programme of documenting these will be undertaken. Once completed all processes will be held on the OFS Intranet page and reviewed annually.	Contracts and Community Services Manager	30 June 2018	In Part

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
Recommendation 3: Management should ensure that arrangements should be put in place to ensure that management receive regular assurance that all defects have been fixed and that statutory health and safety and building maintenance checks are being undertaken at the OFS. Management should consider how these checks and their outcomes should be documented and reviewed and that any remedial actions are undertaken.	M	Sanctions, litigation and reputational damage could arise from non-compliance with relevant legislation because staff are unaware of the required statutory health and safety and building maintenance checks to follow.	Property services are establishing a corporate approach to logging and tracking defects for all internal council clients. We will ensure that all defects are logged formally within this system once it is up and running. Twice yearly maintenance meetings have also be established to review defects over the 6 month period, as well as identify required health and safety and maintenance checks over the coming period. These meetings will be documented and the notes shared between Contracts and Community Services and Property Services. The first meeting has already been scheduled for March 2018.	Senior Estates Surveyor & the Contracts and Community Services Manager	01 March 2018	Yes

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
Recommendation 4: Management should ensure that all event files include the appropriate risk assessment.	M	Failure to meet Council's procedures / guidance on H & S for the Arts Centre leading to staff and members of the public being put at risk.	All files will be individually reviewed at the closure of each event, with any discrepancies in paperwork collated into a monthly report and submitted to the Contracts and Community Services Manager.	Contracts and Community Services Manager	01 March 2018	Yes
Recommendation 5: Management should seek advice from HR with reference to the two casual posts.	H	There is a reputational risk to the Council if officers do not follow HR policies and procedures / guidance.	Advice has been sought from HR regarding the two casual posts. HR's advice will be followed in terms of recognising any employment rights casual staff have accrued (if this is the case) and if appropriate formal contracts will be established. Such liabilities can be met from within existing Old Fire Station budgets.	Contracts and Community Services Manager	01 March 2018	Yes

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
Recommendation 6: Management should ensure that officers declare and resolve any interests, relationships, gifts and hospitality as per the requirement in the Officers' Code of Conduct.	M	There is a reputational risk to the Council if officers do not declare and resolve any interests, relationships, gifts and hospitality.	All staff have been reminded of the obligations within the Officer Code of conduct. All hospitality will be recorded when given or received.	Contracts and Community Services Manger	01 March 2018	Yes

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
<p>Recommendation 7: Management should ensure the following:</p> <ul style="list-style-type: none"> -that the OFS team including casuals and McGrews staff has the appropriate training to carry out their roles safely and effectively; -regular formal 1 to 1's are undertaken for the OFS team and that annual appraisals are documented and retained. 	M	There is a risk of Council objectives not being delivered due to roles and responsibilities not being clearly defined.	<p>A training schedule is held for all casual staff with all team members currently operational having completed the relevant training.</p> <p>We will ensure that McGrew's staff complete the same basis training required of the City Council's own supervisors on a rolling programme over the next 6 months.</p> <p>Notes of 1:1s will be formally documented via email and shared immediately with team members.</p> <p>Team appraisals are undertaken annually, we will ensure that the document is retained appropriately.</p>	Contracts and Community Services Manager	<p>01 March 2018</p> <p>30 June 2016</p> <p>01 March 2018</p> <p>01 March 2018</p>	Yes

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
Recommendation 8: Management should ensure there is a system in place to ensure that all appropriate officers have a valid enhanced DBS check, including McGrews staff.	M	There is a risk of reputational damage to the Council as staff may work in an environment with vulnerable people.	<p>All city council establishment staff already who undertake work at the OFS have recorded DBS checks.</p> <p>Enhanced DBS checks have been requested immediately for casual supervisors who have not yet been DBS Checked.</p> <p>The Contracts & Community Services Manager has confirmed that relevant McGrew's staff have had DBS checks, certificates will be held on file.</p>	Contracts and Community Services	<p>01 March 2018</p> <p>01 March 2018</p> <p>01 March 2018</p>	Yes

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
<p>Recommendation 9: Management should ensure that all outstanding fire issues are satisfactory resolved as soon as possible. This should include the following:</p> <ul style="list-style-type: none"> -That a Fire Risk assessment is reviewed and updated by a competent person within the next few months; -That supervisors are adhering to their responsibilities at each event; -The fire alarm should be fixed to ensure that on activation everyone inside the OFS can hear it to ensure a safe evacuation can be undertaken; -OFS management are notified of any future incidents; 	H	Failure to meet Council's procedures / guidance on health & safety for the OFS may lead to staff and members of the public being put at risk.	<p>A refreshed Fire Risk Assessment has been booked in with a competent provider and will be completed in the coming months.</p> <p>Work to recommission the fire alarm systems so the PA system is automatically disconnected, and that beacons are added to the wall, has already been commissioned. This is due for completion by the end of March 2018.</p> <p>Staff have been reminded of the need to record alarms on a corporate incident report form as well as the fire log at the Old Fire Station. The supervisors' handbook has also been updated accordingly.</p>	Contracts and Community Services Manager	<p>30 March 2018</p> <p>30 March 2018</p> <p>30 March 2018</p>	Yes

<p>-An accident reporting form is completed when an incident occurs and the Health, Safety & Environmental Manager notified;</p> <p>-Management should discuss and agree if the staff should automatically evacuate the premises if the fire alarm is activated.</p>			<p>A refreshed evacuation procedure has already been produced which mandates that Supervisors evacuate the building whenever the alarm is activated (irrespective of if it is a known false alarm or not).</p>		<p>30 March 2018</p>	
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Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
<p>Recommendation 10: Management should ensure the following:</p> <ul style="list-style-type: none"> -formal documented contract management meetings are regularly held to gain assurance that McGrew's is adhering to the agreement; -that evidence is provided to give assurance that conditions of the contract are being followed. For example: that the service providers personnel is suitably qualified, adequately trained, all comply with all of the policies of the Council, are subject to a valid enhanced disclosure check where appropriate and information is received on a timely basis. -procedures / guidance should be agreed, documented and implement to ensure consistency between Council and McGrew's events. 	M	There is a risk of reputational damage to the Council due to a failure to manage the contract appropriately.	<p>Formal contract management meetings with the concession holder have now been diarised on a twice-yearly basis in June and December (which fits with the concession holder's financial year and when his audited accounts are produced). These meetings will be formally documented.</p> <p>At the June meeting each year the conditions of contract will be reviewed and a list of required documents / evidence will be completed and submission requested. The December meeting will focus on a review of audited accounts.</p>	Contracts and Community Services Manager	01 March 2018	Yes

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
<p>Recommendation 11: Management should ensure the following:</p> <ul style="list-style-type: none"> - that ticket sales and income are accurately recorded. This should include a review of the system and documenting it to ensure consistency; - that McGrews monthly remittances are received and subsequently invoices raised on a timely basis; -that event files are appropriately completed and contain the required paperwork. 	H	Poor quality information resulting in incomplete financial records and poor performance.	<p>Updated processes are being established with McGrew's and the TIC to ensure that ticket sales are recorded consistently.</p> <p>Updates to the reconciliation sheet will be accompanied with a date stamp and note for audit processes.</p> <p>The remittance frequency with McGrews will be increased to monthly to ensure more timely payment.</p> <p>As per recommendation 4 - All files will be individually reviewed at the closure of each event, with any discrepancies in paperwork collated into a monthly report and submitted to the Contracts and Community Services Manager.</p>	Contracts and Community Services Manager	<p>30 March 2018</p> <p>01 March 2018</p> <p>01 March 2018</p> <p>01 March 2018</p>	In Part

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
<p>Recommendation 12: Management should ensure the following:</p> <ul style="list-style-type: none"> -A cash handling and cash carrying risk assessment be completed as soon as possible and guidance / procedures agreed and document; -cash is held securely in line with insurance guidelines; -a separate record is maintained of cash held; -value should be signed for when handed over or received (recommended to have a cash handling logbook); -the box office should be locked when unattended and the till key should not be left in the till; -the store cupboards should be locked when unattended; -meeting rooms should be locked when not in use. 	H	Safeguarding of value and assets is not effective because it is not held securely and can be accessed by unauthorised individuals.	A cash handling and cash carrying risk assessment has already been produced in consultation with the Health and Safety Manager. Practice and processes have been updated to reflect this assessment.	Contracts and Community Services Manager	01 March 2018	In Part

Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
<p>Recommendation 13: Management should ensure the following:</p> <ul style="list-style-type: none"> -The Opening and closing procedures should be updated and should not detail the alarm code or the access gate code. These codes should be removed from the procedures as soon as possible; -Counter terrorism procedure / guidance should be documented which should include Run-Hide-Tell and bag searches; -Security procedures / guidance should be updated, documented, agreed and implemented to cover all aspects relating to OFS; -that all applicable staff receive CCTV operational 	M	Safeguarding of assets is not effective because unauthorised individuals can access the premises /premises not secured and / or inadequate safeguarding arrangements.	<p>The opening and closing procedures have been updated and do not detail any codes for alarms or access points.</p> <p>The supervisor's handbook now contains procedures for counter terrorism and bag searches.</p> <p>General security procedures and guidance will be reviewed in accordance with recommendation 2.</p> <p>CCTV operational training has already been established for core staff with a further programme of training to be established with the manufacturer.</p>	Contracts and Community Services Manager	<p>01 March 2018</p> <p>01 March 2018</p> <p>30 June 2018</p> <p>30 June 2018</p>	In Part

<p>training;</p> <p>-CCTV procedures / guidance should be agreed and documented as soon as possible. This should also include retention of data and what the process is if someone requested a copy of or to look at CCTV footage, for example the Police if an incident occurred;</p> <p>-Liaise with legal to ensure that they have adequate CCTV signage displayed at the OFS;</p> <p>-The CCTV should be regularly checked to ensure it is all in working order;</p> <p>-the key holders list should be reviewed and brought up to date. All premises keys should be signed for;</p> <p>-Rooms and cupboards containing equipment at the OFS should be locked when not in use.</p>			<p>A corporate approach to procedures and guidance for operating CCTV across Council premises is under development. All Old Fire Station staff will be trained in, and adhere to this guidance.</p> <p>Guidance will be sought from legal on the signage and the signage itself will be updated in accordance with any advice given.</p> <p>Checks of the CCTV systems will be added to supervisor's duties before each event, with faults to be reported within the event pack returned.</p> <p>The key holder list has been reviewed and updated. All key holders are being asked to sign to acknowledge key possession.</p>		<p>30 June 2018</p> <p>30 April 2018</p> <p>01 March 2018</p> <p>01 March 2018</p>	
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			<p>All staff have been reminded of the need to keep rooms and cupboards locked. Periodic and random checks will be undertaken on this element of security with a quarterly report provided to the Contracts and Community Services Manager.</p>		01 March 2018	
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Summary of Recommendations and agreed actions						
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date	Actioned
Recommendation 14: Management should ensure that a copy of the appropriate valid insurance policy is on file for each event.	M	Safeguarding of staff and members of the public is not effective due to insufficient insurance cover.	We will continue to pursue individual insurance policies for all acts and promoters in the immediate short term. The proposed file audit will offer assurance in this area.	Contracts and Community Services Manager	01 March 2018	Yes
Recommendation 15: Management should establish how Mailchimp manages the information and ensure that this complies with the Council's Data Protection Policy and Procedures and appropriate guidance / procedures should be documented.	M	There is a risk of reputational damage due to possible breaches to the Council's data protection policy and procedures.	Further advice will be sought from the legal team regarding the use of mail chimp immediately and in the light of GDPR.	Contracts and Community Services Manager	30 June 2018	Yes

Appendix B – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1: Management should ensure that all procedures / guidance are completed in full, approved and rolled out to all relevant staff.	M	If procedures and processes are not clearly documented there is a risk that the OFS objectives are not achieved as officers may be unsure of their roles and responsibilities.	Processes mapping and documentation has now been completed. A workshop will be held with all team members to agree final drafts and implementation.	Gavin Capstick	30/09/2018
Recommendation 2: Skiddle remittances should be reconciled to the operational spreadsheet and any anomalies queried and resolved.	M	Poor quality information resulting in incomplete financial records and poor performance.	The Skiddle remittances are now cross referenced with the operational spreadsheet on a monthly basis.	Gavin Capstick	01/08/2018
Recommendation 3: Management should ensure that the safe is relocated to the box office and put into use as soon as possible.	M	Safeguarding of value and assets is not effective because it is not held securely and can be accessed by unauthorised individuals.	A request has been logged with Property Services to install the safe. We are awaiting confirmation of an installation date.	Gavin Capstick	TBC

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 4: The alarm and access gate codes should be changed and removed from the opening and closing procedures.	M	Safeguarding of assets is not effective because unauthorised individuals can access the premises /premises not secured and / or inadequate safeguarding arrangements.	The alarm and access codes have been issued on cards individually to supervisor. The cards do not reference what they are for or the building.	Gavin Capstick	01/08/2018

Appendix C

Audit Assurance Opinions

There are four levels of assurance used; these are defined as follows:

	Definition:	Rating Reason
Substantial	There is a sound system of internal control designed to achieve the system objectives and this minimises risk.	<p>The control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of existing control frameworks.</p>
Reasonable	There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.	<p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</p>
Partial	The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk.	<p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.	<p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

Appendix D

Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations used; high and medium, the definitions of which are explained below.

	Definition:
High	Significant risk exposure identified arising from a fundamental weakness in the system of internal control
Medium	Some risk exposure identified from a weakness in the system of internal control

The implementation of agreed actions to Audit recommendations will be followed up at a later date (usually 6 months after the issue of the report).

Report to Audit Committee

Agenda
Item:

A.5

Meeting Date: 26 September 2018
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2018
Report of: CHIEF FINANCE OFFICER
Report Number: RD20/18

Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the first quarter of 2018/19, was received by the Executive on 20 August 2018. The Audit Committee is invited to make any observations on treasury matters which took place during this quarter although it will be noted from the report that this was a relatively quiet period in treasury terms. The Committee is otherwise asked to note the report.

Recommendations:

That the report be noted

Recommendations:

That the report be noted.

Tracking

Executive:	20 August 2018
Audit Committee:	26 September 2018
Council:	Not applicable

Report to Executive

Agenda
Item:

Meeting Date: 20 August 2018
Portfolio: Finance, Governance and Resources
Key Decision: No
Within Policy and
Budget Framework YES
Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2018
Report of: CHIEF FINANCE OFFICER
Report Number: RD20/18

Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

Recommendations:

That this report be received and the Prudential Indicators noted as at the end of June 2018.

Tracking

Executive:	20 August 2018
Audit Committee:	26 September 2018
Council:	Not applicable

1. BACKGROUND

1.1 The purpose of this report is to inform Members on various Treasury Management issues. The report is set out as follows:

(i) **Appendix A** sets out the schedule of Treasury Transactions for the period April 2018– June 2018

- **Appendix A1** – Treasury Transactions April to June 2018
- **Appendix A2** – Investment Transactions April to June 2018
- **Appendix A3** – Outstanding Investments at June 2018

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2018/19

- **Appendix B1 – Prudential Code background**
- **Appendix B2 – Prudential Indicators**

2. RISKS

2.1 The Council's Treasury Management function is responsible for investing the Council's surplus cash balances and managing cash flows appropriately. The Treasury Management Strategy Statement and the Treasury Management Practices are completed and approved in line with the CIPFA Code and include appropriate mechanisms for dealing with the Council's investments and borrowing needs.

3. CONSULTATION

3.1 Audit Committee will consider the report on 26 September 2018

4. CONCLUSION AND REASONS FOR RECOMMENDATIONS

4.1 That this report is received and the Prudential Indicators noted as at the end of June 2018.

5. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES

5.1 To ensure that the Council's investments are in line with appropriate policies including the Treasury Management Strategy Statement.

Contact Officer: Steven Tickner

Ext: 7280

Appendices attached to report:	Appendix A1 – Treasury Transactions
	Appendix A2 – Investment Transactions
	Appendix A3 – Outstanding Investments
	Appendix B1 – Prudential Code background
	Appendix B2 – Prudential Indicators

Note: in compliance with section 100d of the Local Government (Access to Information) Act 1985 the report has been prepared in part from the following papers:

- None

CORPORATE IMPLICATIONS

Legal – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring, including Treasury Management, is part of this process.

Finance – Included in the report

Equality - This report raises no explicit issues relating to the public-sector Equality Duty

Information Governance – No implications

TREASURY TRANSACTIONS
APRIL to JUNE 2018

1. LOANS (DEBT)1.1 Transactions April to June 2018

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0	0.00	0	0.00
Local Bonds	0	0.00	0	0.00
Short Term Loans	0	0.00	0	0.00
Overnight Borrowing	0	0.00	0	0.00
	0		0	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. There have been no transactions in the period.

3.1 Loans (Debt) Outstanding at end of June 2018

	£
City of Carlisle Stock Issue	15,000,000
Short Term Loans	12,800
	15,012,800

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Total £
Short Term Debt at end June 2018	0	0	12,800
			12,800

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	42,305,000	0.40-0.9250	35,275,000	0.40-0.6750
	42,305,000		35,275,000	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2018. The weighted average return achieved on all investments as at the end of June was 1.40% (0.69% excluding Property Fund). The Bank Base rate was increased on 2nd August to 0.75% (from 0.50%) and counterparties are currently updating their investment returns. These will start to be realised when any new investments are subsequently placed.

3 REVENUES COLLECTED

To: June 2018		Collected £	% of Amount Collectable %
2018/19	Council Tax NNDR	17,467,897 14,038,501	29.07 31.21
Total		31,506,398	29.98
2017/18	Council Tax NNDR	16,544,313 14,090,447	29.11 31.65
Total		30,634,760	30.23
2016/17	Council Tax NNDR	15,271,971 13,975,280	29.05 30.82
Total		29,247,251	29.87

4 BANK BALANCE

At end of June 2018, £945,462.42 in hand.

This is the Council's bank balance at the end of the last day covered by the report.

5 PERFORMANCE ON TREASURY MANAGEMENT BUDGET TO END OF JUNE 2018

April – June 2018

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(87)	(60)	27
Interest Payable	190	189	(1)
Less Rechargeable	0	0	0
	190	189	(1)
Principal Repaid (MRP)	0	0	0
Debt Management	13	14	1
NET BALANCE	116	143	27

The estimate column is the profiled budget to end of June 2018.

Interest receivable is lower than anticipated due to lower than expected investment returns.

The dividends received from the property fund have maintained an income of approximately £37,000 per quarter. The yield to the end of June was 4.47%. The valuation of the investment at the end of June was £3,401,158.

APPENDIX A2

INVESTMENT TRANSACTIONS APRIL TO JUNE 2018

INVESTMENTS MADE		INVESTMENTS REPAYD	
	£		£
Handelsbanken	3,830,000.00	HSBC	430,000.00
HSBC	2,500,000.00	Goldman Sachs	1,000,000.00
HSBC	750,000.00	HSBC	200,000.00
HSBC	350,000.00	HSBC	1,270,000.00
HSBC	300,000.00	HSBC	1,360,000.00
HSBC	1,100,000.00	Handelsbanken	900,000.00
Goldman Sachs	1,000,000.00	HSBC	2,100,000.00
Federated Investors	2,050,000.00	Bank of Scotland	1,000,000.00
HSBC	360,000.00	Federated Investors	1,500,000.00
Federated Investors	1,950,000.00	Handelsbanken	3,100,000.00
Bank of Scotland	1,000,000.00	HSBC	200,000.00
Federated Investors	1,500,000.00	HSBC	50,000.00
Handelsbanken	4,000,000.00	HSBC	3,350,000.00
HSBC	600,000.00	HSBC	200,000.00
HSBC	400,000.00	Handelsbanken	1,500,000.00
HSBC	1,100,000.00	Federated Investors	2,100,000.00
HSBC	400,000.00	Handelsbanken	2,500,000.00
HSBC	900,000.00	HSBC	1,000,000.00
Bank of Scotland	1,000,000.00	HSBC	650,000.00
HSBC	400,000.00	HSBC	2,675,000.00
HSBC	6,000,000.00	HSBC	400,000.00
Federated Investors	2,100,000.00	Standard Life	100,000.00
Standard Chartered	1,000,000.00	HSBC	2,850,000.00
Standard Life	3,000,000.00	Standard Life	1,500,000.00
HSBC	225,000.00	Standard Life	1,000,000.00
Standard Chartered	1,000,000.00	Standard Life	1,200,000.00
Standard Life	1,000,000.00	HSBC	1,140,000.00
HSBC	750,000.00		
HSBC	600,000.00		
HSBC	350,000.00		
HSBC	390,000.00		
HSBC	400,000.00		
TOTAL	42,305,000		35,275,000
		Bfwd	11,053,234
		Paid	42,305,000
		Repaid	35,275,000
		Total	18,083,234
		CCLA	17,924
		Total	18,101,158

Outstanding Investments as at 30 June 2018

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Days to maturity at execution	Total Interest Expected (£)
Y	MMF Standard Life	200,000	0.48%		MMF		0
Y	MMF Federated Investors	4,000,000	0.53%		MMF		
R	Goldman Sachs International Bank	1,000,000	0.69%	01/02/2018	27/07/2018	176	3,327
R	Goldman Sachs International Bank	1,000,000	0.83%	23/02/2018	31/08/2018	189	4,298
R	Goldman Sachs International Bank	1,000,000	0.95%	29/03/2018	28/09/2018	183	4,763
O	Bank of Scotland	1,000,000	0.70%		Call95		
O	Bank of Scotland	1,500,000	0.70%		Call95		
O	Bank of Scotland	1,000,000	0.70%		Call95		
R	Goldman Sachs International Bank	1,000,000	0.93%	13/04/2018	15/10/2018	185	4,714
O	Bank of Scotland	1,000,000	0.75%	15/05/2018	19/11/2018	188	3,863
R	Standard Chartered	1,000,000	0.67%	05/06/2018	21/12/2018	199	3,653
R	Standard Chartered	1,000,000	0.66%	14/06/2018	19/12/2018	188	3,399
	Total Investments	£14,700,000	0.69%			187	£28,017

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Initial Market Value (£)	Unrealised Growth (£)	% Growth
CCLA Property Fund	3,401,158	4.47%	31/07/2014	3,000,000	2,836,896	401,158	13.4%

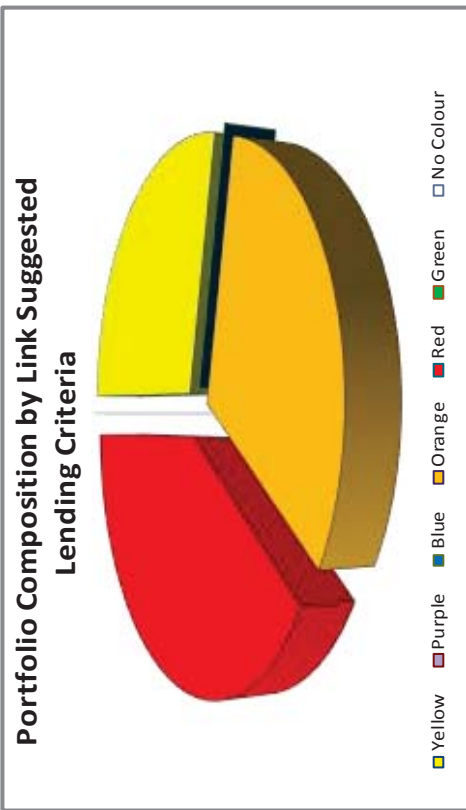
1. Entry Costs were charged against Treasury Management Budget in 2014/15

N.B Interest is recognised in the appropriate financial year in which it is due.

Investment Summary

% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	Weighted Average Rate of Return	Weighted Average Days to Maturity	Weighted Average Execution WAM at Execution
Yellow	4,200,000	100.00%	4,200,000	28.57%	0.53%	0	0	0	0
Purple	-	0.00%	-	0.00%	0.00%	0	0	0	0
Blue	-	0.00%	-	0.00%	0.00%	0	0	0	0
Orange	4,500,000	77.78%	3,500,000	23.81%	0.71%	105	116		
Red	6,000,000	0.00%	-	0.00%	0.79%	105	187		
Green	-	0.00%	-	0.00%	0.00%	0	0		
No Colour	-	0.00%	-	0.00%	0.00%	0	0		
100.00%	14,700,000	52.38%	7,700,000	52.38%	0.69%	75	112		

Link's Suggested Criteria	Link's Suggested Criteria
Y	Up to 5 Years
P	Up to 2 Years
B	Up to 1 Year
O	Up to 1 Year
R	Up to 6 months
G	Up to 3 months
N/C	No Colour



Risk Score for Jun-18 Mar-18 Dec-17 Sep-17									
Colour (1 = Low, 7 = High)									
1	0.3	0.0	0.2	0.3					
2	0.0	0.0	0.0	0.0					
3	0.0	0.0	0.0	0.0					
4	1.2	1.9	1.7	0.1					
5	2.0	2.6	2.0	3.3					
6	0.0	0.0	0.0	0.0					
7	0.0	0.0	0.0	0.0					
	3.6	4.5	3.9	3.7					

Normal' Risk Score

3.5 3.5 3.5 3.5

3.5

THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision making process.
- 2.2 Appendix B2 sets out the latest performance indicators for the current year.

3. Supported and Unsupported (or Prudential) Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Differing types of government control operated over the years but since 1990 these had been termed credit approvals. The level of an authority's previous years' credit approvals is also included in the revenue support grant (RSG) allocation so that ultimately any borrowing is 'supported' via RSG.

- 3.2 This element of supported borrowing is still part of the RSG system although the City Council has previously resolved that its capital borrowing would be limited to its level of supported borrowing. In 2018/19 this is estimated to be Nil.
- 3.3 However, there may be circumstances in which the City Council will wish to undertake some prudential borrowing and the issues surrounding unsupported and supported borrowing are discussed below.
- 3.4 Authorities are permitted to borrow in excess of their supported borrowing allocation. This is referred to as prudential or unsupported borrowing. This can be undertaken so long as the Council can demonstrate that the revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, capital expenditure, and treasury management. Set out below are the indicators for 2018/19 to date as detailed in the Treasury Management Strategy Statement for 2018/19.

(a) Affordability

	2018/19 Original Estimate £	2018/19 Revised Estimate £
(i) Capital Expenditure	4,032,600	9,326,600
(ii) Financing Costs Total Financing Costs	1,086,000	974,000
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	12,581,000	12,581,000
(iv) Ratio of Financing Costs to Net Revenue Stream The figures monitor financing costs as a proportion of the total revenue stream from government grants and local taxpayers. The increase in the ratio of financing costs is mainly attributable to the forecast reduction in investment income.	8.63%	7.74%
(v) Incremental Impact on Council Tax This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.	(1.93)	1.78
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities	37,600,000	37,600,000
	15,012,800	15,012,800
The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.		

	2018/19 Original Estimate £	2018/19 Revised Estimate £
(vii) Operational Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis.	32,600,000 15,012,800	32,600,000 15,012,800
(viii) Capital Financing Requirement (CFR) As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.	13,557,000	n/a

(b) Prudence and Sustainability

	2018/19 Original £
(i) New Borrowing to Date No Long Term Borrowing has been taken in 2018/19 to date	0
(ii) Percentage of Fixed Rate Long Term Borrowing at June 2018	100%
(iii) Percentage of Variable Rate Long Term Borrowing at June 2018 Prudent limits for both fixed and variable rate exposure have been set at 100%. This is due to the limited flexibility available to the authority in the context of its overall outstanding borrowing requirement.	0%
(iv) Minimum Level of Investments Classified as Specified Level of Specified Investments as at June 2018 As part of the Investment Strategy for 2018/19, the Council set a minimum level of 50% for its specified as opposed to non specified investments. The two categories of investment were defined as part of the Strategy but for the City Council non specified investments will presently refer mainly to either investments of over one year in duration or investments placed with building societies that do not possess an appropriate credit rating. These tend to be the smaller building societies.	50.00% 100.00%

EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 20 AUGUST 2018

EX.79/18 TREASURY MANAGEMENT: APRIL TO JUNE 2018
(Non Key Decision)

Portfolio Finance, Governance and Resources

Relevant Scrutiny Panel Business and Transformation

Subject Matter

The Leader presented report RD.20/18, the purpose of which was to inform Members of various Treasury Management issues.

He indicated that Appendix A set out the Schedule of Treasury Transactions for the period April 2018 to June 2018, whilst Appendix B discussed the Prudential Code and Prudential Indicators for 2018/19.

The Leader formally moved, and the Communities, Health and Wellbeing Portfolio Holder formally seconded that the Executive receive the report and note the Prudential Indicators as at the end of June 2018.

Summary of options rejected None

DECISION

That Report RD.20/18 be received and the Prudential Indicators noted as at the end of June 2018.

Reasons for Decision

To inform the Executive of various Treasury Management issues

