

**AUDIT COMMITTEE**

**MONDAY 14 APRIL 2014 AT 10.00 AM**

**PRESENT:** Councillor Ms Patrick (Chairman), Councillors Mrs Atkinson, Atkinson (P) – from 11.07 am, Earp, Mrs Mallinson and Nedved

**OFFICERS:** Chief Executive  
Director of Governance  
Director of Resources (until 10.30 am)  
Financial Services & HR Manager  
Audit Manager  
Senior Auditor

**ALSO**

**PRESENT:** Ms Jackie Bellard (Director, Grant Thornton); and  
Mr Richard McGahon (Manager, Grant Thornton)

**AUC.16/14 WELCOME**

The Chairman welcomed all those present to the meeting.

**AUC.17/14 APOLOGIES FOR ABSENCE**

Apologies for absence were submitted on behalf of Councillors Bowditch and also Atkinson (P) who would arrive late.

**AUC.18/14 DECLARATIONS OF INTEREST**

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

**AUC.19/14 PUBLIC AND PRESS**

**RESOLVED** – That Agenda item A.2 – Certification Work Report 2012/13 be dealt with as the first item of business to facilitate the attendance of the Director of Resources.

**AUC.20/14 CERTIFICATION REPORT 2012/13**

Councillor Mrs Mallinson declared an interest in accordance with the Council's Code of Conduct. The interest related to the fact that a tenant of hers received Housing Benefit.

The Manager (Grant Thornton) presented the Certification Report for 2012/13, which summarised their overall assessment of the Council's management arrangements in respect of the certification process and drew attention to significant matters in relation to individual claims. An overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work performed was set out in the Certification Plan issued to the Council in July 2013.

Included within the current report was a summary of all claims and returns subject to certification (Appendix A).

In terms of the Key Messages, the Manager (Grant Thornton) reported that:

- Both the Housing Benefit and Council Tax Benefit and the National Non Domestic Rates claims were submitted to Grant Thornton on time and certified within the required deadlines
- No amendments or qualification letter was required for the National Non Domestic Rates Return this year. That was in line with the performance in 2011/12
- A significant number of errors were identified during detailed testing of the Housing Benefit and Council Tax Benefit claim. Those errors had resulted in amendments to the claim and a qualification letter. That represented a significant deterioration in performance when compared with 2011/12.
- Supporting working papers for both claims were good, which enabled certification within the deadline.

In terms of the way forward, Grant Thornton had set out recommendations to address the key messages referred to above and other findings arising from their certification work at Appendix B. Recommendations had been made to address issues relating to:

- Improving data input into assessments for income to ensure the correct amount of benefit was awarded to claimants
- Ensuring overpayment errors were correctly classified according to type i.e. eligible error or LA error
- Ensuring that expenditure relating to modified scheme was valid

Implementation of the agreed recommendations would assist the Council in compiling accurate and timely claims for certification. That, in turn, would reduce the risk of penalties for late submission, potential repayment of grant and additional fees. Given the timing of the work some of the issues may not however be fully addressed during 2013/14.

In conclusion, the Manager (Grant Thornton) drew Members' attention to Appendix C which set out details of the fees.

In considering the report Members raised the following questions and observations:

- Was the certification fee unchanged?

The Manager (Grant Thornton) explained that for 2011/12 the fee was based upon the actual hours worked. However, under the new contract an indicative fee was set by the Audit Commission which would move depending upon the work undertaken.

He emphasised that the fee for 2012/13 reflected the level of errors and the amount of work which had to be done to certify the Housing Benefit and Council Tax Benefit claim. In terms of the Housing Benefit and Council Tax Benefit claim, the City Council had missed the opportunity of reducing the fee because of the significant additional work/testing that was required.

- What action and monitoring was in place to ensure that errors, which resulted in the payment of increased fees, did not occur in future?

The Director of Resources drew Members' attention to the Action Plan at Appendix B which had been agreed with Grant Thornton. He acknowledged that there were issues around training; consistency and quality checking; and ownership of errors. Part of the problem related to the fact that Revenues and Benefits staff were working across three sites, with their own individual ways of working.

In addition to the Action Plan alluded to, a third party report had been commissioned (from Liberata) which had resulted in a number of recommendations on the Revenues and Benefits Shared Service. The Chief Executives from Allerdale and Copeland Borough Councils and Carlisle City Council had also met on 11 April 2014 and were committed to the Action Plan.

The Director of Resources cautioned that it would in all likelihood be 2014/15 before Members would see significant improvements in terms of accuracy.

- The issue of staff training had previously given Members cause for concern. Had the issues around governance been addressed and if not, why not?

In response, the Director of Resources advised that there had been issues around the IT systems and culture of the individual authorities. Staff all attended the same training, in addition to which the training provided was being reviewed with a view to making it more effective.

The Chief Executive agreed with the Director's comments indicating that, if the recommendations were successfully implemented, improvements would be made.

The Chief Executive explained that there was some anxiety as to whether the Revenues and Benefits Shared Service was providing the best service for the residents of Carlisle. Following the Chief Executives' meeting referred to, the Chief Executive had spoken to staff and Members here in Carlisle and he outlined his position on the future of the Shared Service for the benefit of the Committee. The Director of Resources was working on defining the criteria necessary for Carlisle to have confidence in remaining in the Shared Service.

In terms of the governance issue, although Carlisle was the employing authority, it was not the managing authority. The Liberata report contained recommendations to address the issue.

- Were the issues around accuracy reflected across the three local authorities, and did they represent a high corporate risk?

The Director of Resources replied that the errors were the same, but the financial impact was not significant at the moment.

The Chief Executive stated that one of the observations of the Liberata report was that overall the Shared Service was performing fairly well. Where there were concerns for Carlisle those were being picked up through good management arrangements.

- A Member felt it was important that the Audit Committee had sight of the Liberata report to ensure that the Council's Officers were protected.

- The Certification Report 2012/13 had identified a significant deterioration in performance compared to 2011/12. Had resources been diverted from Carlisle which had given rise to that situation?

In response, the Chief Executive explained the differing processes followed by Customer Services and Benefits staff in Carlisle and Copeland. That inconsistency needed to be addressed via a clear set of criteria / Service Level Agreement in order that Members may be assured that the Council's position was protected and Carlisle was not subsidising work in other areas of the Shared Service.

The Chief Executives of Allerdale and Copeland were very committed to putting effort and resources into addressing the issues identified.

The Chief Executive stressed the need to be confident in the ability of the Shared Service to deliver a good service and respond to change.

- The Chairman asked that an overview of the Liberata report and an update on the Action Plan be provided to the next meeting of the Committee.

The Chief Executive replied that a clear project plan and deliverables on the recommendations would be put in place, which could be submitted to the Committee.

A Member moved that the Committee ask the Resources Overview and Scrutiny Panel to scrutinise the issues raised.

RESOLVED – (1) That the Certification Work Report 2012/13 be noted and received.

(2) That the Audit Committee noted that the issues and concerns regarding the significant number of errors identified during detailed testing of the Housing Benefit and Council Tax Benefit claim would be addressed through the Action Plan (Appendix B).

(3) That the Chief Executive be requested to circulate the Liberata report (concerning the Review of the Revenues and Benefits Shared Service) to Members of the Committee.

(4) That the Audit Committee would receive an update on progress on the recommendations contained within the Action Plan and the Liberata report at their September 2014 meeting.

(5) That the Resources Overview and Scrutiny Panel be requested to consider the issues concerning the Revenues and Benefits Shared Service identified by the Chief Executive.

## **AUC.21/14      MINUTES**

The Minutes of the meeting of the Audit Committee held on 24 January 2014 were submitted.

The Financial Services and HR Manager reiterated that consideration was being given to the provision of training prior to the July 2014 meeting of the Committee. She added that work had been undertaken on good governance principles which could be brought to the training session.

Referring to Minute AUC.05/14 – Minutes of the Resources Overview and Scrutiny Panel, a Member indicated that he had not yet received a copy of the Director of Resources' written response regarding the Central Hotel, Victoria Viaduct.

By way of assistance, the Director of Governance advised that, following the dissolution of the then owner, Goldfern Properties Limited, in August 2012, the property had fallen to the Duchy of Lancashire but the said duchy had disclaimed the property and it was understood that the Crown was now the owner. The Legal Services Section were now in correspondence with the Treasury Solicitor (acting on behalf of the Crown) to clarify the situation.

The Member requested an update at the earliest opportunity.

Referring to Minute AUC.07/14 – Grant Thornton – Audit Committee Update, the Chairman advised the meeting that it had been agreed that a tabulated document on the emerging issues of relevance to the Council would be prepared for submission to the next meeting of the Committee.

The Financial Services and HR Manager advised that, although she had started to look at the questions, there was a significant amount of documentation which she wished to go through in detail. The matter would go forward to the Senior Management Team before proceeding to the July meeting of the Committee.

RESOLVED – (1) That the Minutes of the meeting of the Audit Committee held on 24 January 2014 be agreed as a correct record and signed by the Chairman.

(2) That the Financial Services and HR Manager report on the emerging issues of relevance to the Council (referred to above) to the July 2014 meeting of the Audit Committee.

#### **AUC.22/14      MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL**

The Minutes of the meeting of the Resources Overview and Scrutiny Panel held on 20 February 2014 were submitted for information.

RESOLVED – That the Minutes of the meeting of the Resources Overview and Scrutiny Panel held on 20 February 2014 be noted and received.

#### **AUC.23/14      AUDIT PLAN 2013/14**

The Director (Grant Thornton) presented the Audit Plan for Carlisle City Council for the year ended 31 March 2014. The content of the report related only to the matters which had come to Grant Thornton's attention, which they believed needed to be reported to the Committee as part of the audit process. It was not a comprehensive record of all the relevant matters, which may be subject to change, and in particular they could not be held responsible for reporting all of the risks which may affect the Council or any weaknesses in its internal controls.

The Director (Grant Thornton) indicated that a key element of the audit was gaining an understanding of the challenges and opportunities faced by the client (i.e. the Council), a summary of which was provided. In addition, Grant Thornton also considered the impact of key developments in the sector and took account of national audit requirements as set

out in the Code of Audit Practice and associated guidance. The Plan was based on a risk-based approach to audit planning.

There was no plan to certify the NNDR claim this year, nor was it expected that certification work would be required on the Council Tax element of the benefit claim scheme which was a change from previous years. However, likely that some audit work would need to be done on those areas to be able to give the opinion on the accounts.

The report also set out Grant Thornton's approach to identifying audit risks and the additional risks considered relevant to the current audit of the accounting statements.

There were two presumed significant risks applicable to all audits under auditing standards (International Standards on Auditing – ISAs), namely: the revenue cycle included fraudulent transactions; and management over-ride of controls. Details of the other reasonably possible risks were also provided.

Turning to the interim audit work undertaken the Director summarised the overall conclusion that:

- Internal Audit - the Internal Audit Service continued to provide an independent and satisfactory service to the Council and that internal audit work contributed to an effective internal control environment at the Council. Grant Thornton's review of internal audit work had not identified any weaknesses which impacted on their audit approach;
- Walkthrough testing - no weaknesses had been identified which impacted on their audit approach;
- Review of information technology (IT) controls - no material weaknesses which were likely to adversely impact on the Council's financial statements had been identified;
- Journal entry controls – Grant Thornton would complete their journal testing at the final accounts visit. Currently they had no issues to report; and
- Early substantive testing – Grant Thornton would complete their substantive testing at the final accounts visit. Currently they had no issues to report.

The Director added that Grant Thornton was required to give a statutory value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The conclusion this year would be based on two criteria, specified by the Audit Commission.

A Member asked whether an update on the significant risks identified could periodically be submitted to the Committee in order that an audit trail was in place.

In response, the Director (Grant Thornton) confirmed that she would report back following completion of the audit (i.e. to the September 2014 meeting of the Committee).

Referring to the fact that the National Non-Domestic Rates (NNDR) would no longer be certified, the Financial Services and HR Manager asked whether any other body was coming in to take on that role.

The Director understood the Manager's concerns, commenting that some elements of the NNDR return would be looked at as part of the Accounts.

The Manager (Grant Thornton) informed the Committee that there were no outstanding claims for 2012/13. Details of the position for 2013/14 would be set out in the next report to the Committee.

RESOLVED – (1) That the Audit Plan for 2013/14 be noted and received.

(2) That the Audit Committee would receive an update on the significant risks identified in the report at their September 2014 meeting.

## **AUC.24/14      AUDIT COMMITTEE UPDATE REPORT**

The Manager (Grant Thornton) submitted a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors. Also included was a summary of emerging national issues and developments which may be of relevance to the authority.

Members' attention was particularly drawn to:

- progress at 25 March 2014 in terms of the 2013-14 accounts audit plan; the interim accounts audit; and the 2013-14 final accounts audit. The Manager advised that there were no significant changes in approach to the Value for Money (VFM) conclusion work carried out in previous years. There was, however, continued emphasis on financial resilience with a separate report produced and reported in September alongside the ISA+260 Audit Findings Report.
- the Audit Commission research – Tough Times 2013 (page 61 of the document pack)
- 2016 Tipping Point? Challenging the current (page 67 of the document pack)
- the alternative delivery models in local government (page 68 of the document pack). The Manager (Grant Thornton) stated that he had attended an event in South Lakeland on 10 March 2014 which focussed on collaboration and alternative delivery models
- Reaping the benefits: first impressions of the impact of welfare report (page 69 of the document pack). The Manager (Grant Thornton) had interviewed Carlisle in terms of the report and was quite impressed. Looking ahead, however, further reforms such as the implementation of universal credit and the move to direct payments presented significant uncertainties and challenges over the next few years.  
He added that the Director (Grant Thornton) had talked about the revaluation of assets, which would be picked up in consultation with the Financial Services and HR Manager
- Business rate appeal provisions (page 71 of the document pack) – the Manager (Grant Thornton) and the Financial Services and HR Manager would be meeting to discuss the matter
- Accounting for and financing the local government pension scheme costs – there would be a slight change in terms of where the figures appeared in the Accounts.

The report also included a number of challenge questions in respect of emerging issues which the Audit Committee may wish to consider.

A Member indicated that in most local authorities there was now a budget shortfall and significant additional savings were required in order to bring reserves up to minimum levels. That was the first call on the 2014/15 allocation of the New Homes Bonus which was not what it was designed for.

In response, the Financial Services and HR Manager advised that the New Homes Bonus had been included within the City Council Budget as an income stream (a non-ring fenced financial grant). She did not think that the Council would be open to challenge in that regard.

RESOLVED – That the Audit Committee noted the content of the Update Report; and that details of work undertaken to address the emerging issues referred to would be submitted to their July 2014 meeting.

#### **AUC.25/14      HOUSING BENEFIT SUBSIDY CERTIFICATION WORK PLAN**

The Manager (Grant Thornton) reported that, as the Council's appointed external auditor, Grant Thornton undertook grant certification work acting as an agent of the Audit Commission. The only claim which required certification at the City Council for 2013/14 was the Housing Benefit Subsidy claim.

He reported that the indicative fee for grant claim certification for the Council, based on the 2011/12 actual certification fee, was £17,200. The Audit Commission had not yet confirmed the final figure, but it was expected to reduce by around 10% - 12%.

The Manager (Grant Thornton) expected to complete the certification work by 30 November 2014 and to issue a grant certification report after that date highlighting any issues that needed to be brought to the Council's attention.

RESOLVED – That the Audit Committee noted the content of the Housing Benefit Subsidy Certification Work Plan.

#### **AUC.26/14      FEE LETTER 2014/15**

The Director (Grant Thornton) presented the Audit fee letter for 2014/15.

The Director outlined details of the audit fee for the Council, explaining that:

- the scale fee for 2014/15 had been set by the Audit Commission at £70,153 i.e. the same as the audit fee for 2013/14; and
- the composite indicative grant certification fee had been set at £18,790.

Details of the scope and timing of the work, Value for Money conclusion and details of the Team were also provided.

The Manager (Grant Thornton) referred to the document entitled "A guide to local authority accounts" (copies of which had been handed to Member immediately prior to the meeting) which was to assist and provide some useful challenge questions.



The Chairman thanked the Manager for that input which was helpful in terms of increasing Members' knowledge.

RESOLVED – That the Audit Committee noted and received the Audit fee letter for 2014/15.

Councillor P Atkinson entered the meeting

#### **AUC.27/14      AUDIT COMMITTEE'S ANNUAL REPORT 2013/14**

The Chairman presented report RD.03/14 summarising the work undertaken by the Audit Committee during the period from 15 April 2013 to 24 January 2014.

The existence of the Audit Committee and its work programme enabled the Council to demonstrate that it was following the recommended best practice of the CIPFA Practical Guidance for Audit Committees in Local Authorities. The Committee had strengthened the Council's internal control process through its ability to ensure that systems and controls were robust; that challenges were raised as appropriate; and that adequate follow-up procedures were in operation in relation to audit recommendations. That had been noted and commented on by the external Auditors Audit Manager.

In conclusion, the Chairman recommended that the Audit Committee note and accept the report.

Referring to the Audit Committee's Rules of Governance (Section 6.1 – Attendance), a Member pointed out that attendees would usually include the Leader or Deputy Leader and the Portfolio Holder for Finance. He noted that was not necessarily the case in practice and, following discussion, it was suggested that the word "usually" be amended to "could", "may" or "is likely to".

It was also agreed that the Committee would ask the Executive to give consideration to that point.

RESOLVED – (1) That the Annual Report of the Audit Committee, which would be submitted to the City Council on 29 April 2014, be noted and accepted.

(2) That the Executive be requested to consider the wording of Section 6.1 – Attendance of the Audit Committee's Rules of Governance as identified above.

#### **AUC.28/14      INTERNAL AUDIT PLAN 2014/15**

The Audit Manager (Carlisle City) reported (RD.02/14) that internal Audit was required, under the mandatory Public Sector Internal Audit Standards (PSIAS), to prepare an annual risk based Audit Plan for approval by the Audit Committee.

She outlined for Members the content of the draft Audit Plan, attached at Appendix A, which had been prepared was in line with updated planning methodology. The Plan had, through consultation with the Council's senior management and consideration of the Council's Corporate Risk Register and Annual Governance Statement Action Plan, identified the areas where it was considered that Internal Audit could add the greatest value.

Other sources of assurance were also a factor for consideration, to avoid duplication and ensure the best use of Internal Audit resources and the agreed actions from the recent Grant Thornton review of Internal Audit had also been incorporated into the planning process, particularly around:

- The rationale for inclusion in the Plan was now explained
- A reduction in the proportion of the Plan allocated to routine testing of the main financial systems in favour of a three year rolling programme of financial system reviews
- An increase in the proportion of the Plan allocated to risk-based internal audit reviews designed to provide assurance over arrangements for governance, risk management and internal control

Details of internal audit service delivery; the roles of management and of internal audit; internal audit resources; categories of internal audit work; and performance standards were provided.

The Audit Manager (Carlisle City) highlighted that further discussions were required with the external auditors on the three year cyclical approach to financial systems reviews.

In conclusion, the Audit Manager (Carlisle City) requested that the Committee receive the report and approve the 2014/15 Audit Plan.

The Chairman and Members welcomed the new clearer format of the report.

Referring to Section 5.5 (Computer Audit) and the Government's Code of Connection (CoCo), a Member sought reassurance that the Council had a clear certificate from the Regulator. She suggested that may be picked up in the audit of Customer Services.

In response the Audit Manager explained that the corporate review led on from the work done on e-forms between Customer Services and IT.

The Member added that the issue should be picked up as part of the scoping exercise.

RESOLVED – (1) That the Audit Committee noted the content of Report RD.02/14.

(2) That the Audit Committee had considered and approved the Internal Audit Plan for 2014/15 attached as Appendix A to the report.

#### **AUC.29/14      INTERNAL AUDIT PROGRESS REPORT 2013-14 (NO. 4)**

The Audit Manager (Carlisle City) submitted report RD.01/14 summarising the work carried out by Internal Audit and detailing progress made on delivery of the approved 2013/14 Audit Plan.

The Audit Manager reminded Members that the 2013/14 Strategic and Annual Risk Based Audit Plans were presented to the Audit Committee on 15 April 2013 (Report RD.06/13 referred). The current position of the Plan up to 21 March 2014 was illustrated at Appendix A for Members' assistance.

The Plan called for 540 direct audit days. 468 days (87%) had been delivered. Details of the areas upon which time had been spent were provided.

Members were asked to note the progress made against the agreed 2013/14 Audit Plan.

A report on the position of all follow ups of previous audit recommendations monitored via Covalent was attached as Appendix B. Attention was drawn to the colour coding used to highlight the progressive action taken against each audit recommendation.

In summary, a total of 89 recommendations have been monitored since April 2012. In that reporting period there were 9 where sufficient action had been reported and those recommendations were now closed. There were 22 'open' recommendations; 16 of which were 'in progress' and 6 where insufficient information had been provided to determine whether or not appropriate action had been taken to date. For those recommendations which had not had an adequate response, further enquiries with Managers continued to have been made and the Audit Manager (Carlisle City) was able to provide a verbal update on the responses received subsequent to preparation of her report, the effect of which was that:

#### Audit of Development Control/Management

R2 – could now be recorded as green (actioned)

#### Audit of Systems Administration

R3, R8 and R13 – could now be recorded as amber (in progress)

#### Audit of IT Service Desk

R2 – could now be recorded as green (actioned)

R5 – could now be recorded as amber (in progress)

The Chairman considered the above updates on feedback received to be really positive, adding that the Committee appreciated the number of recommendations actioned in a timely manner.

Members were asked to note the position on the follow up of previous audit recommendations.

In response to a Members' request, the Audit Manager (Carlisle City) confirmed that it would be possible to include a glossary in future progress reports to the Committee.

The Audit Manager then outlined in some detail the content and ratings attached to the audit reports in respect of Tendering and Contracting Procedures; Organisational Development (Devolved Development and Training); and Customer Services. Copies were appended to the report.

The Committee gave consideration to the completed audits, raising the following issues:

#### Audit of Tendering and Contracting Procedures (Reasonable Assurance Evaluation)

- Follow up Schedule of Previous Audit Recommendations (Appendix B) - a Member sought clarification as regards progress on the various recommendations.

In response, the Financial Services and HR Manager said that she had included realistic timescales for implementation thereof. The Audit Manager (Carlisle City) added that, if

relevant, the recommendations would be brought forward into Appendix C (Agreed Action Plan).

The Senior Auditor updated Members on the current position regarding implementation of the Electronic Document Management System (EDMS).

- Recommendation R2 (there is no financial information contained within the Contract Register)

The Audit Manager (Carlisle City) referred the Member to recommendation R4 on page 161 of the document pack, explaining that there was now a link between the payments system and the Contracts Register. The issue was around how best to enhance arrangements and make links clearer.

#### Audit of Organisational Development – Devolved Development and Training (Reasonable Assurance Evaluation)

- A Member expressed concern as to whether recommendations R2 and R3 had been addressed since the 2010 Budget.

The Chief Executive stated that it was a question of context, his preference being that the budgets referred to be centralised and clear principles applied to ensure that they were used more effectively.

- A Member questioned whether Member training should be needs based / mandatory.

The Chief Executive replied that the issue was around perception and senior Members may have a role to play in terms of Member development.

#### Audit of Customer Services (Partial Assurance Evaluation)

- Notwithstanding the fact that a great deal of good work had been undertaken, the Chairman considered the concerns expressed concerning the lack of automation to be of particular relevance moving forward.

The Audit Manager (Carlisle City) advised that those issues would be picked up, the key issue being the Customer Relation Management “CRM” system.

The Chief Executive fully accepted the recommendations / gradings and recognised the significant weaknesses in technological arrangements. Although the Council’s website had recently been rated as good by SOCITM, more could be done in terms of the automated systems.

A significant project (Improving Customer Access) had been put in place with a view to addressing the recommendations and he was therefore confident that much was being done to improve matters.

- A Member emphasised the importance of protecting the City Council brand name. Implementation of the recommendations required to be monitored and an update provided to the Committee.

The Chairman pointed out that the Committee was scheduled to receive an update on Covalent at their next meeting.

The Chief Executive stated that the departure of the Director of Community Engagement had impacted upon progress. Following an internal restructure Customer Services now sat within the Chief Executive's Team and the Customer Services Manager was taking action to progress matters.

The Member thanked the Chief Executive for his comments.

- Speaking in his capacity as Lead Member of the Recycling Task and Finish Group, a Member reported that he had met with the Customer Services Manager. The aim was to find out what recycling service related problems were presented to the Contact Centre; whether there were any trends; and also how problems and complaints were dealt with. He added that some of the issues identified were now starting to be addressed.

RESOLVED – (1) That report RD.01/14 be received and progress made against the agreed 2013/14 Audit Plan referred to in Section 2 and as illustrated in Appendix A be noted.

(2) That the updated position on the follow up of previous audit recommendations, as outlined in Section 3 and verbally by the Audit Manager, be noted.

(3) That the Audit Committee received the completed audit reports referred to in Section 4 of the report.

(4) That a Glossary be included in future progress reports to the Committee.

(5) That the Committee noted that Customer Services now fell within the remit of the Chief Executive's Team providing greater corporate ownership, and was satisfied that the Action Plan attached to the Audit of Customer Services would address the recommendations identified during the audit review.

(6) That the Audit Manager be requested to submit a report updating Members on implementation of the recommendations to a future meeting of the Committee.

## **AUC.30/14      INTERNAL AUDIT CHARTER**

Pursuant to Minute AUC.15/14, the Audit Manager (Carlisle City) reported (RD.05/14) that the Cumbria Shared Internal Audit Service was required to conform to the mandatory Public Sector Internal Audit Standards (PSIAS). Those standards comprised a Definition of Internal Auditing, a Code of Ethics and the Standards by which internal audit work must be conducted.

An Audit Charter was one of the key requirements of the PSIAS and failure to approve an Audit Charter may be considered to be a significant deviation from the requirements of the Standards.

The Audit Manager reminded Members that they had received the Draft Charter in January 2014. Since that time, there has been an update within Section 6 (Resources, Proficiency and Due Professional Care) to provide more coverage on confidential reporting practices

within the Internal Audit Shared Service. The Charter had also been considered by the Executive on 10 March 2014 and their comments were as detailed within Minute Excerpt EX.29/14, a copy of which was attached.

RESOLVED – That the Audit Committee:

1. Noted the changes to Section 6 – Resources, Proficiency and Due Professional Care; and
2. Approved the Internal Audit Charter alongside the 2014/15 Audit Plan.

#### **AUC.31/14      TREASURY MANAGEMENT OCTOBER - DECEMBER 2013**

The Financial Services and HR Manager submitted report RD.84/13 providing the regular quarterly summary of Treasury Management Transactions for the third quarter of 2013/14.

The Financial Services and HR Manager emphasised, in particular, the fact that interest receivable was falling behind budgeted projections due to average investment returns being lower than those anticipated when the budget was set.

The report had been received by the Executive on 10 February 2014. The Audit Committee was now invited to make any observations on treasury matters which took place during that quarter, although Members would note that it had been a relatively quiet period in treasury terms.

RESOLVED - That Report RD.84/13 be noted and received.

#### **AUC.32/14      CORPORATE RISK MANAGEMENT**

The Director of Governance presented report SD.10/14 providing an update on the Council's risk management arrangements. Details of the background position were provided.

The Corporate Risk Register continued to be reviewed quarterly by the Corporate Risk Management Group and Senior Management Team in line with the Council's Risk Management Policy. It contained those risks considered to be the significant risks in achieving the City Council's objectives for 2014/15:

- Asset Business Plan – Asset Disposal Strategy
- Asset Business Plan – Asset Acquisition Strategy
- Delivering the Carlisle Plan
- Council's Income targets
- Housing needs of vulnerable groups
- Workforce planning

The Financial Services and HR Manager then informed Members that arrangements were currently being made for a risk management training programme for 2014/15, which would focus on the following areas:

- IOSH (Institution of Occupational Safety and Health) training for managers
- Updating the risk management e-learning module and delivering to staff
- Zurich insurance risk management training

Officers were also looking at the provision of an e-learning package.

Members were asked to consider any training required to assist them in better appreciation of risk management good practice.

A Member indicated that the issue of training had been raised at the Members' Development Group. She recognised the difficulties associated with mandatory training and questioned whether the proposed training would be open to Members and Officers. The issue was how best to deliver training, one possibility being through informal Council meetings.

In response, the Financial Services and HR Manager advised that the training could be provided jointly for Members and Officers. Consideration was being given to the training currently provided in the 1<sup>st</sup> floor Training Room to include e-learning.

A Member commented upon the advantages of e-learning, particularly for those Members who found it difficult to attend training sessions. There were a number of methods by which uptake could be increased e.g. group work, and contacting Members directly to remind them.

Another Member said that the uptake of e-learning was low which was why informal Council was suggested as a way forward.

The Chairman stated that there were three areas under Risk Management – Policy and Strategy; Risk Analysis; and Positive Risk Management which she would like covered as part of the training.

The Audit Manager (Carlisle City) advised that Internal Audit looked at the risk register and Carlisle had good procedures in place. She gained a lot of reassurance from that.

The Chairman noted that the Resources Overview and Scrutiny Panel also considered Corporate Risk Management and asked that an excerpt from the Panel Minutes be submitted to the Committee in future.

RESOLVED – (1) That the Audit Committee had considered and noted the content of Report SD.10/14 as evidence of the continuing commitment to and culture of sound governance arrangements for corporate risk management.

(2) That Officers, in conjunction with the Member Training Officer, give consideration to the provision of Risk Management Training, possibly via informal Council briefings / e-learning modules with a view to encouraging as many Members as possible to take advantage thereof.

#### **AUC.33/14      CODE OF CORPORATE GOVERNANCE - ACTION PLAN**

The Financial Services & HR Manager submitted report RD.04/13 updating Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework.

The Financial Services & HR Manager explained that the Annual Governance Statement for 2012/13 had highlighted one area of weakness (related to contract monitoring) in the Council's governance arrangements, together with the progress made against that area

(Appendix A referred). During 2013/14 a review of Records Management had been undertaken by Audit Services and a significant weakness identified. That had been included within the Appendix along with action taken to progress the issue.

She added that there were no new significant issues which needed to be brought to Members' attention, nor were there any new areas of risk arising from the Audit Reviews or from the Risk Registers that needed to be drawn to Members' attention.

In conclusion, the Financial Services & HR Manager asked that the Committee note the Action Plan attached to the report, together with the current position relating to the issues identified.

The Chairman pointed to the target date for a number of the actions (March 2014), commenting that the Committee wished to be assured that the actions would be duly completed before receiving the report.

The Financial Services and HR Manager assured Members on that point.

The Chairman suggested that Records Management be retained on the Action Plan until the Committee had been updated on the position at their July 2014 meeting.

RESOLVED – That the Code of Corporate Governance Action Plan and the current position relating to the issues which had been identified be noted.

[The meeting ended at 12.12 pm]