

AUDIT COMMITTEE

MONDAY 19 MARCH 2018 AT 10.00 AM

PRESENT: Councillor Patrick (Chairman), Councillors Mrs Birks, Bowditch, Higgs, Mrs Mallinson, Shepherd and Sidgwick (S)

OFFICERS: Deputy Chief Executive (until 11.57 am)
Corporate Director of Governance and Regulatory Services
Chief Finance Officer
Deputy Chief Finance Officer and Designated Head of Internal Audit
Principal Auditor
Contracts and Community Services Manager (until 11.57 am)

ALSO

PRESENT: Associate Director (Grant Thornton)
Audit Manager (Grant Thornton)
In-charge Auditor (Grant Thornton)

AUC.13/18 CHAIRMAN'S COMMENTS

The Chairman welcomed all those present to the meeting.

AUC.14/18 APOLOGIES FOR ABSENCE

There were no apologies for absence.

AUC.15/18 DECLARATIONS OF INTEREST

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

AUC.16/18 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

AUC.17/18 MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Audit Committee held on 12 January 2018 were submitted.

RESOLVED – That the Minutes of the meeting of the Audit Committee held on 12 January 2018 be agreed as a correct record and signed by the Chairman.

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

The Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 4 January and 15 February 2018, together with the Minutes of the joint meeting with the Health and Wellbeing Scrutiny Panel held on 29 January 2018 were submitted for information.

The Corporate Director of Governance and Regulatory Services responded to a Member's question regarding the governance arrangements for the above mentioned Joint Scrutiny Panel meeting.

RESOLVED – That the Minutes of the meetings of the Business and Transformation Scrutiny Panel held on 4 January and 15 February 2018; and of the joint meeting with the Health and Wellbeing Scrutiny Panel held on 29 January 2018 be noted and received.

AUC.19/18 EXTERNAL AUDIT PLAN 2017/18

The Associate Director (Grant Thornton) presented the external Audit Plan for Carlisle City Council for the year ended 31 March 2018.

Grant Thornton's responsibilities under the National Audit Office (NAO) Code of Audit Practice were two fold, namely to: form and express an opinion on the Council's financial statements; and satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Members' attention was drawn to the summary provided on page 47 of the document pack, which included the significant risks identified and determination of planning materiality at £1.188m.

A key element of the audit was gaining an understanding of the Council's business and key developments. A key point of note related to the requirement (under the 2015 Accounts and Audit Regulations) for local authorities to submit, to their auditors, their draft authorised for issue accounts by 31 May 2018 i.e. one month ahead of the 2016/17 deadline. The audit accounts, along with the Auditor's opinion, required to be published by 31 July 2018, two months ahead of the 2016/17 deadline.

That represented a significant change to the timetable. The Council had performed a dry run of the above deadlines in 2016/17, with the positive outcome of achieving an early audit closure by the 31 July 2017. That achievement boded well for the Council meeting the formal deadline in 2017/18, and the emphasis would be on keeping the momentum going and replicating that performance.

The Associate Director (Grant Thornton) emphasised the importance of adherence to response times, given the volume of work which Grant Thornton had to undertake. That had not been an issue at the City Council and he thanked the Chief Finance Officer, Deputy Chief Finance Officer, Audit Manager (Grant Thornton) and the In-charge Auditor (Grant Thornton) for their work.

He added that the Plan was representative of a risk-based approach to audit planning, and the report set out the significant risks and reasonably possible risks identified. In performing the audit Grant Thornton applied the concept of materiality. Items relating to related party transactions; and disclosures of officers' remuneration and salary bandings in the notes to the financial statements had been identified as requiring a separate materiality level.

The Associate Director (Grant Thornton) indicated that Grant Thornton was required to give a statutory Value for Money (VFM) 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 one single criterion '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' supported by three sub-criteria (informed decision making; sustainable resource deployment; and working with partners and other third parties).

Members' attention was drawn to the significant VFM risk identified as a result of Grant Thornton's risk assessment – significant service transformation projects and the Medium Term Financial Plan - details of which and the work proposed to address the matter were set out within the report.

The Associate Director (Grant Thornton) further summarised the information provided on other matters; audit fees; and independence requirements/disclosures.

At the request of the Chairman, the Associate Director (Grant Thornton) expanded upon the key changes impacting the Auditor's report for audits of financial statements for periods commencing on or after 17 June 2016 and, in particular, the complex issue of material uncertainty related to going concern.

The Associate Director (Grant Thornton) further reported a change to the Grant Thornton audit team, namely the proposal that the In-charge Auditor would replace the Audit Manager who was relocating to another area.

The Audit Manager (Grant Thornton) stated that it had been a pleasure to work with the City Council. She expressed thanks to the Audit Committee and, in particular, the Chief Finance Officer and Deputy Chief Finance Officer; and extended best wishes to all for the future.

The Chairman and the Chief Finance Officer then paid tribute to the Audit Manager for her work and contribution to the Committee; and wished her well for the future.

The Chairman also congratulated the In-charge Auditor upon his appointment to the Audit Manager role.

RESOLVED – (1) That the Audit Plan for 2017/18 be noted and received.

(2) That the Audit Committee welcomed the positive comments with regard to the achievement of an early audit closure by 31 July 2017, and expected that the Council would meet the early formal closedown deadline again this year.

(3) That the setting of materiality for sensitive items be noted.

AUC.20/18 EXTERNAL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The In-charge Auditor (Grant Thornton) submitted a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors.

He provided an overview of progress as at March 2018 as detailed within the report. The work being undertaken towards the achievement of the earlier statutory deadline for the 2017/18 opinion was positive.

Members' attention was drawn to:

- The fact that Grant Thornton was required to certify the Council's annual Housing Benefit Subsidy claim in accordance with procedures agreed with the Department for Work and Pensions. Meetings were currently taking place as part of the planning processes, and the certification work for the 2017/18 claim would be concluded by 30 November 2018
- The findings from their interim audit work, together with the impact thereof on the accounts audit approach
- Members would recall that the high level review of the general IT control environment had resulted in a number of recommendations previously reported to management and the Committee. Internal Audit was in the process of reviewing progress against those recommendations, which work was expected to conclude in March 2018
- The review of the Council's journal entry policies and procedures had not identified any material weaknesses which required to be drawn to the attention of the Committee
- There were no issues to report to the Committee from Grant Thornton's early substantive testing
- The Sector Update
- The results of the Auditors' work 2016/17 in relation to the public sector audit appointments, including the main reasons for the issue of non-standard conclusions on the 2016/17 accounts
- The key elements in terms of the changes to the prudential framework of capital finance
- The supply chain insights tool which helped support supply chain assurance in public services
- The links to various publications (detailed on page 77 of the document pack)

The In-charge Auditor further advised that, as part of early work on the Value for Money conclusion, he had met with the Deputy Chief Finance Officer and Designated Head of Internal Audit. A number of follow-up questions had arisen, but it was hoped that work would be complete prior to commencement of the final audit.

Discussion arose, during which the undernoted questions / issues were raised:

- *As alluded to above, the Ministry of Housing Communities and Local Government had updated the Local Authority Investments Guidance and the Minimum Revenue Provision following its publication of consultation responses on 2 February 2018. Were there any implications for the City Council?*

Another Member sought clarification on the issue of materiality.

The Deputy Chief Finance Officer replied that the Treasury Management Strategy Statement would be updated for next year, with all aspects of the updated Prudential Code forming part of that update. Individual circumstances would pertain to each local authority in terms of the latter point.

The Associate Director (Grant Thornton) commented upon the need to ensure that there was no use of public borrowing to finance commercial activity.

- *What mechanisms were in place to monitor borrowing in advance of need?*

The Deputy Chief Finance Officer advised that a number of local authorities were looking to commercial ventures out with their respective areas as sources of revenue. The issue was around how engagement in such ventures linked with and benefitted their area, as opposed to merely providing an income stream.

The Deputy Chief Finance Officer confirmed that the City Council was not involved in any such ventures. Further dialogue / due diligence (including the preparation of business cases, etc) would be required before such an undertaking was embarked upon.

- *The City Council was supportive of initiatives such as St Cuthbert's Garden Village and Borderlands. A level of awareness was therefore important when undertaking joint working with partners.*

Clearly there was a need to generate income to support delivery, and the authority may be disadvantaged if the changes to the prudential framework proved to be too stringent.

The Deputy Chief Finance Officer explained that the revised guidance retained the requirement for an Investment Strategy to be prepared at least annually and introduced some additional disclosures to improve transparency. However, as the changes to the CIPFA Prudential Code included a new requirement for local authorities to prepare a Capital Strategy, the revised guidance allowed the matters required to be disclosed in the Investment Strategy to be included in the Capital Strategy.

The Associate Director (Grant Thornton) reiterated that the concept of proportionality was about linking commercial income back to the Council's priorities.

RESOLVED – That the Audit Committee noted and received Grant Thornton's audit progress report and sector update for the year ending 31 March 2018.

AUC.21/18 AUDIT COMMITTEE'S ANNUAL REPORT

The Chairman presented report RD.51/17 summarising the work undertaken by the Audit Committee during 2017/18. Also included was the Committee's Rules of Governance.

Audit Committees were a key component of an authority's governance framework. The purpose of an audit committee was to provide to those charged with governance (The Council), independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. By overseeing internal and external audit, it made an important contribution to ensuring that effective assurance arrangements were in place.

The Audit Committee's annual report provided the Council with information to show how the Audit Committee had fulfilled its role during the year and provided independent assurance to the Council on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.

The Chairman welcomed the change in format of the report and thanked the Deputy Chief Finance Officer for his work in that regard.

Paragraph 2.5.7 recorded that the Committee had previously had concerns over the Records Management review and the progress made in respect of policies and procedures around Records Management. The Chairman questioned the current position on that issue and whether records management could be removed from the Annual Governance Statement.

The Chief Finance Officer suggested that Records Management should remain on the Annual Governance Statement as a key control weakness if assurance could not be given before the Annual Governance Statement was published.

Following discussion, it was agreed that the report be amended to record that the item may not need to be included again, but that would be determined by June 2018.

The Chairman further requested the undernoted amendments:

- Paragraph 2.5.6 – the last sentence be amended to read the Internal Audit Team will perform a formal follow up “within six months” and report back to the Audit Committee
- The appendices be renumbered so that Appendix A comprised the list of Agenda items and Appendix B the Audit Committee’s Rules of Governance.

In conclusion the Chairman recommended that, subject to the amendments highlighted, the Audit Committee note and accept the report for recommendation to Council.

RESOLVED – That, subject to the amendments identified above, the Annual Report of the Audit Committee, which would be submitted to the City Council on 24 April 2018, be noted and accepted.

AUC.22/18 INTERNAL AUDIT PLAN 2018/19

The Principal Auditor presented report RD.50/17 which recorded 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.

The Principal Auditor highlighted the proposal that there would be 508 direct days of Audit time in 2018/19. That compared to 464 direct days included in the revised Internal Audit Plan for 2017/18. The increase related to the team now running at full establishment (in addition, 50 audit days from the previous year were required to complete work carried forward from the former shared service arrangements).

He also drew attention to the audit assignments identified at Appendix B, which included a full review of Mobile Devices. The number of days planned for risk-based reviews was unchanged. However, additional time had been allocated to the areas identified at paragraph 4.2 of the report.

That level of coverage was considered sufficient to provide an opinion on the systems of governance, risk and internal control in line with the PSIAS and in order to support the preparation of the Annual Governance Statement. It was therefore crucial that the Council facilitated Internal Audit to undertake its work effectively and in line with timescales for Audit Committee.

The PSIAS also reflected the requirement for internal audit plans to be flexible in order to respond to new and emerging risks to the organisation. Some capacity was therefore built into the Plan to allow Internal Audit to respond to such issues. However, should that contingency be exhausted during the year, the approved Plan may need to be revised. In that event, revisions would be considered and agreed by the Chief Finance Officer and reported to the Audit Committee, including the need for any additional audit resources if appropriate. Any request for significant consulting activity by Internal Audit would be approved by the Audit Committee in line with the requirements of the Public Sector Internal Audit Standards.

The Principal Auditor commented upon the categories of Internal Audit work, details of which were provided at Section 5 of the report. Paragraph 5.3 - Financial System Reviews – recorded that a three-year programme was in place which ensured that each main financial system was reviewed in depth at least once every three years. Management also had a responsibility to ensure that all financial systems continued to operate effectively each year and had asked Internal Audit to confirm with relevant managers that basic controls continued to operate. That would involve completing internal control questionnaires with relevant managers and providing these to the S151 Officer for information.

In response to a Member's question concerning the recruitment of a third party IT audit specialist, the Deputy Chief Finance Officer advised that the intention was to wait until the planned cyber security role was filled, as this role was expected to liaise with Internal Audit on IT risks.

The Corporate Director of Governance and Regulatory Services added that, although systems were in place, the authority continually strived to do better.

In response to questions, the Principal Auditor clarified in greater detail the breakdown of direct internal audit time referenced above.

In terms of Internal Audit service delivery, it was a requirement of the PSIAS that the Council had in place an Audit Charter. The Charter, attached at Appendix D, set out the arrangements for the delivery of the Internal Audit Service. Changes had been made to the Charter for 2018/19 following initial feedback from CIPFA as part of the January 2018 preliminary readiness review.

Details of the roles of management and of internal audit; audit follow up arrangements; and performance standards were also provided.

Referencing Appendix B, the Chairman asked that the font size be increased to make the table more readable in future.

RESOLVED – (1) That Report RD.50/17 be received.

(2) That the Audit Committee had considered and approved:

- the 2018/19 Audit Plan (attached at Appendices A - C);
- The Internal Audit Charter for 2018/19 (attached as Appendix D).

AUC.23/18 INTERNAL AUDIT PROGRESS REPORT 2017/18

The Principal Auditor submitted report RD.49/17 providing an overview of the work carried out by Internal Audit in the fourth quarter of 2017/18 (to date).

Details of progress against the 2017/18 Audit Plan was as shown at Appendix 1.

Three audit reviews and one follow up review had been completed in the fourth quarter: Audit of Flexitime and Toil; Audit of Arts Centre – Carlisle Old Fire Station; Audit of Housing Benefits and Council Tax Reduction; and Audit follow up of IT General Control. The Internal Audit resource had also been utilised on the work detailed at paragraph 2.3 of the report.

The Principal Auditor reminded Members that, in order to provide an effective Internal Audit service, there needed to be an effective measure of the performance it achieved. The table at paragraph 3.1 showed progress against the indicators agreed for 2017/18.

It was anticipated that 27 reviews would be completed (to draft report) by 31 March 2018 (90% of the Internal Audit Plan). That was a slight shortfall against the target of 95% due to more resource than planned (53 actual days against a planned 20) being required for counter-fraud work.

Three reviews were unlikely to be completed by the end of the year. Approval was requested that those assignments be carried forward into the 2018/19 Internal Audit Plan:

- Safeguarding (deferred due to change in management)
- Garage (deferred due to long term absence)
- Records Management Follow Up

A Member sought clarification regarding the request for deferral of the Audit of Safeguarding. She wished to be assured that the authority was covered, particularly regarding dealings with children / vulnerable adults.

The Principal Auditor reiterated that the issue related to a change in management. The Corporate Director of Governance and Regulatory Services added that, although not subject to the pressures faced by Cumbria County Council for example, the City Council was very proactive in terms of homelessness services provision. Safeguarding training was undertaken as appropriate, in addition to which a safeguarding champion was in place. DBS checks were also carried out as necessary.

Speaking on the issue of audit recommendations, the Principal Auditor informed Members that Appendix 2 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 on progress. The responses would be reported to the next available Audit Committee meeting and, if implemented, would then 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.

Three formal follow-up reviews were currently in progress. Management responses had been received and were currently being tested to ensure audit recommendations had been fully implemented.

In response to request for clarification, the Principal Auditor advised that the assurance level attributed to the Audit Review of National Non Domestic Rates (H1706) (page 129 of the document pack) should have read 'reasonable' as opposed to 'partial'.

In accordance with the Public Sector Internal Audit Standards the Internal Audit department was required to have a full external assessment of compliance with the Audit Standards. Assessments must be done at least once every five years by a qualified, independent assessor from outside the organisation.

Following a procurement exercise the City Council had appointed CIPFA to carry out a review in 2018. A preliminary readiness review was carried out in January 2018. Informal feedback from the assessor was positive, indicating that the right documentation and processes were in place for the team. Some suggested improvements were made regarding the Internal Audit Charter which had subsequently been included for 2018/19.

A full assessment was scheduled for April 2018. Findings from the review would be reported to the Audit Committee in 2018/19.

The Principal Auditor provided a detailed overview of the audits of Flexitime and Toil; Carlisle Old Fire Station; Housing Benefits and Council Tax Reduction; and the follow-up of IT General Control, associated recommendations and reasons for the assurance opinions attributed to each audit.

The Principal Auditor focussed, in the main, upon the audit of Carlisle Old Fire Station which had a partial assurance opinion. He informed Members that clearly a great deal of hard work had gone into making the venue a success. It was pleasing to note the very prompt response from management and that a significant number of the recommendations had already been acted upon. A formal follow-up would be provided in due course.

Audit of Flexitime and Toil (Reasonable Assurance Level)

- *This was a useful Audit which had highlighted some inconsistencies in the use of flexitime and toil. Was a cultural change required within the authority?*

The Principal Auditor replied that, in his view, the issues identified were minor in nature.

Audit of Arts Centre – Carlisle Old Fire Station (Partial Assurance Level)

Speaking at the invitation of the Chairman, the Deputy Chief Executive commented upon the very comprehensive and balanced nature of the audit review. The high priority recommendations were of primary concern; and, if not already actioned, would be addressed. The Senior Management Team had given consideration to the matter with a view to the identification of any learning which may be taken forward to other areas managed by the Council.

The Deputy Chief Executive pointed out that the Old Fire Station differed somewhat from the Council's standard activities and he was grateful for the work undertaken by Internal Audit as part of the review.

- *A Member noted that the Management Action Plan (Appendix A) included implementation dates for the various recommendations. However, in terms of context, she asked when the audit review had been undertaken?*

The Principal Auditor confirmed that the final audit report had been issued on 5 March 2018.

Given the high risks involved, particularly with regard to health and safety / fire, the Member questioned whether implementation of the audit recommendations should have been immediate.

Paragraph 5.2.15 recorded that a fire risk assessment had not been completed since 2015. The Old Fire Station reopened following the floods in 2016. The Member was extremely concerned that the venue may have been operating without the benefit of an up-to-date fire risk assessment.

Members further questioned whether the contractor / the Council could have required a fire risk assessment prior to reopening of the building, together with the advice provided by the local Fire Authority.

In response, the Contracts and Community Services Manager explained that a Fire Risk Assessment was in place for the Old Fire Station. It was also important to note that a fully operational fire alarm system was in place; the issue being that, when the fire alarm had activated during an event in December 2017, it could not be clearly heard over the music. Members of staff were immediately aware; had taken appropriate action and were in control of the building.

The Contracts and Community Services Manager then summarised the agreed actions undertaken in response to recommendation 9.

The Deputy Chief Executive advised that the Fire Authority acted in an advisory capacity, the duty lying with the contractor and owner / occupier. He undertook to check on the statutory requirements with regard to fire risk assessments.

- *The risk exposure at Recommendation 11 was identified as poor quality information resulting in incomplete financial records and poor performance. A Member questioned whether information was available to separate ticket sales, the booking of artists and room bookings.*

The Principal Auditor replied that the focus of the audit review had been on events. The Contracts and Community Services Manager added that an audit trail was in place for room bookings.

- *Whilst having respect for the work undertaken thus far by the Deputy Chief Executive and his team, a Member questioned the management arrangements at the Old Fire Station and whether staffing levels were sufficient given the overall reductions in staffing numbers within the Council.*

He further suggested that the audit follow-up review should come forward in the last quarter of 2017/18.

The Chairman also asked that gaps in the skills sets of staff at the Old Fire Station be addressed.

In response, the Deputy Chief Executive gave an overview of operational arrangements; the action taken with regard to the two casual posts; staff training and performance at the Old Fire Station. He acknowledged that there was room for improvement here and now, and also in the way the Council managed such ventures in the future. He wished to work with staff to apply lessons learned.

The Deputy Chief Executive was concerned to ensure that the necessary changes took place as swiftly as possible and gave an assurance that work was ongoing to implement the recommendations identified.

- *A Member was dismayed by the partial assurance rating and high level recommendations, which she considered potentially left staff in a vulnerable position. She was further concerned that the necessary checks were put in place to ensure compliance with the Officers' Code of Conduct; at the situation in relation to the two casual posts; regarding the reliability and integrity of financial and operational information at the Old Fire Station; safeguarding arrangements; and that there was no counter terrorism procedures / guidance.*

The Chairman commented that, whilst issues had been identified, there was a need to bear in mind that the audit had been given a partial assurance rating as opposed to limited / none.

Speaking from a financial perspective and with regard to Recommendation 12, the Chief Finance Officer advised that some comfort could be taken from the fact that no cash was unaccounted for. Training and guidance could be provided to staff as necessary.

The Deputy Chief Executive said that the authority had cash handling procedures in place, and the Old Fire Station was not operating in a vacuum. It was important to differentiate between the specifics of the site and procedures generically in place. The point raised regarding counter terrorism measures was valid and he was aware that a number of staff had undergone counter terrorism training some time ago.

The Contracts and Community Services Manager explained that the cash in question was for operational purposes. Dialogue continued, but the venue was not operating outside of the Council's Financial Procedure Rules.

The Contracts and Community Services Manager further referred to the audit finding that action should be taken to address casual staff, including reviewing their employment status and ensuring that DBS checks were performed. Management had sought advice from HR as regards the two casual posts and there had been no breach of HR legislation. The position would, however, be reviewed in six months' time. He added that enhanced DBS checks had been requested immediately for casual supervisors who had not yet been DBS checked.

- *A Member acknowledged that this was the first audit review of the Old Fire Station. It would therefore have been remarkable if a number of recommendations had not been raised as a result of the audit. He was reassured by the very thorough Management Action Plan and congratulated Officers for their work to date in implementing the various recommendations.*

Another Member welcomed the audit review, the purpose of which was to learn and improve; it was not a negative piece of work. She thanked the Principal Auditor, the Contracts and Community Services Manager and the Old Fire Station team for their work.

The Contracts and Community Services Manager replied that the audit had been wide ranging.

The Principal Auditor agreed that the identification of recommendations could be common place when auditing new areas.

- *Moving forward, could the audit form the basis of a template for an implementation plan for future ventures embarked upon by the City Council (i.e. to seek to ensure that the issues which had arisen at the Old Fire Station were addressed at the outset)?*

The Contracts and Community Services Manager reiterated that an implementation plan was in place for the Old Fire Station, the challenge being around the monitoring / application of those procedures.

Audit of Housing Benefits and Council Tax Reduction (Substantial Assurance Level)

Members welcomed what was an excellent report.

Audit follow-up of IT General Control (follow up of Grant Thornton Review)

The Associate Director (Grant Thornton) informed Members that the purpose of the follow-up audit was to provide an update on progress against the Action Plan. It was pleasing to see the progress made and Grant Thornton was able to take some assurance therefrom.

A Member recognised that a great deal of time and effort had gone into the matter, and she considered the follow-up review to be an example of audit working at its best.

RESOLVED – That the Audit Committee:

- (1) Noted the progress against the Audit Plan for 2017/18 set out within Report RD.49/17.
- (2) Received the final audit reports outlined in paragraph 2.2, subject to the following:

Audit of Arts Centre – Carlisle Old Fire Station (OFS)

- (a) That the Committee had given detailed consideration to the audit review and the weaknesses identified as detailed within the Management Action Plan.
- (b) It was acknowledged that this was a new venture for the City Council, and Members welcomed the robust action taken by management to address the audit recommendations.

- (c) The Portfolio Holder should have sight of the final Audit Review; and the Senior Management Team be requested to keep a watching overview of outstanding actions / recommendations, which were to be completed as soon as possible.
 - (d) In view of the partial assurance opinion, Internal Audit be requested to provide a follow-up audit on Carlisle Old Fire Station in due course.
- (3) Approved the carry forward of three audit assignments to the 2018/19 Audit Plan as outlined in paragraph 3.3 and Appendix 1 to the report.

AUC.24/18 TREASURY MANAGEMENT OCTOBER – DECEMBER 2017

The Deputy Chief Finance Officer submitted report RD.45/17 providing the regular quarterly summary on Treasury Management Transactions for the third quarter of 2017/18, including the requirements of the Prudential Code.

Appendix 1 recorded that interest receivable was below budgeted projections due to lower average cash balances than expected whilst settlement of insurance claims was finalised and due to the up-front payment of pensions made in April 2017. Average investment returns had not risen in line with the recent increase in bank base rate which also impacted upon the returns being achieved. The CCLA property investment saw another increase in the capital value for the quarter, and had recovered the small downturn in value experienced following the Brexit vote. Dividends remained at 4.58%.

The Executive had (on 12 February 2018) received the report, noting the Prudential Indicators as at the end of December 2017 – Minute EX.16/18 referred.

The Deputy Chief Finance Officer invited Members to make any observations on the treasury matters which had taken place during the quarter, although it would be noted that it had been a relatively quiet period in treasury terms.

The Chairman was pleased to note the increase in the capital value of the CCLA property investment alluded to above.

RESOLVED - That Report RD.45/17 be received and the Prudential Indicators noted as at the end of December 2017.

AUC.25/18 UPDATE ON EFFECTIVENESS REVIEW OF THE AUDIT COMMITTEE

The Deputy Chief Finance Officer submitted report RD.52/17 providing an update following the effectiveness review of the Audit Committee, which was undertaken on 19 April 2016, and a further workshop to discuss the improvement plan which was held on 11 April 2017.

In addition, an update was provided to the Committee on 14 July 2017, outlining the proposed areas for a skill based framework and specific training programme, and how the profile of the Audit Committee could be raised. Details of the comments emanating from that meeting were set out at paragraph 1.3 of the report.

In terms of the training programme, the Deputy Chief Finance Officer stated that the Committee currently received specific training on the Statement of Accounts, Role of Internal Audit, Role of External Audit and Role of the Audit Committee as part of the Ethical Governance Training Programme in June each year, which was to aid the Committee in fulfilling its role throughout the year.

As well as that specific training it was agreed that there would be further opportunities to deliver training to the Committee prior to each meeting (from 9.15 am to 10.00 am). A proposed outline of the subjects to be covered by that training was provided at paragraph 2.2. It was proposed that those training sessions should commence with effect from the 9 July 2018 meeting, with one topic being covered at each subsequent meeting.

Further training proposed for 2019/20 (tbc) would include: Risk Management; Value for Money; the Constitution; Counter Fraud and Corruption; and Understanding of Legislation.

The Deputy Chief Finance Officer added that an updated CIPFA Guidance on Local Government Finance was published at the end of 2017 and copies had been placed on the intranet for Members and Officers to view. There were two versions of the document, an introductory version which was more abridged and easier to read, and a full version which went into more technical detail. Those documents could be utilised in the Budget Setting and Financial Reporting and Monitoring Training sessions.

The undernoted observations were raised in discussion:

- Members welcomed the opportunity to undertake training in 'bite sized chunks' immediately prior to meetings of the Audit Committee as opposed to on alternative dates; and the efforts of staff in developing that training. The very comprehensive training session held this morning on the Audit Plan Risk Assessment process had proved to be most useful
- In addition to Members / Substitute Members of the Audit Committee, invitations could perhaps be extended to other Members of the Council
- Training on the Audit Terms of Reference should be provided in conjunction with training on the Council's Constitution

The Chairman stated that the training programme aimed to develop and enhance the working of the Audit Committee. It would, however, be possible to say that all Members were welcome to attend.

The Corporate Director of Governance and Regulatory Services reminded Members that the Council had in place an Ethical Governance Training Programme. It was intended that, moving forward, training sessions would take place immediately prior to Informal Council Briefing meetings.

RESOLVED – That, subject to observations detailed above, the proposed outline training programme be approved.

[The meeting ended at 12.14 pm]