

Audit Committee

Date: Friday, 17 March 2023

Time: 10:00

Venue: Flensburg Room

Present: Councillor Robert Betton, Councillor Jeffrey Bomford, Councillor Mrs Christine Finlayson, Councillor Neville Lishman, Councillor Mrs Linda Mitchell
Councillor Dr Les Tickner (for Councillor Pamela Birks)

Also Present: Mr Kelly, Director, Audit - Grant Thornton

Officers: Corporate Director of Finance and Resources
Lead Senior Lawyer
Head of Financial Services
Audit Services Manager

AUC.01/23 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Mrs Birks and Councillor Patrick.

AUC.02/23 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

AUC.03/23 PUBLIC AND PRESS

It was agreed that the items in Part A be dealt with in public and there were no items to be dealt with in Part B.

AUC.04/23 MINUTES OF THE PREVIOUS MEETING

RESOLVED - It was noted that Council had, on 3 January 2023, received and adopted the minutes of the meeting held on 8 December 2022. The Chair signed the minutes.

AUC.05/23 MINUTES OF THE PEOPLE PANEL

The minutes of the meeting of the People Panel held on 23 February 2023 were submitted for information.

RESOLVED - That the minutes of the meeting of the People Panel held on 23 February 2023 be noted.

AUC.06/23 EXTERNAL AUDITOR'S ANNUAL REPORT ON CARLISLE CITY COUNCIL

Mr Kelly, Grant Thornton provided a verbal update with regard to the External Auditor's Annual Report on Carlisle City Council.

Mr Kelly reported that the document would be finalised by Friday 24 March 2023 and the Finance, Governance and Resources Portfolio Holder would provide a verbal update at Council on 28 March 2023.

Mr Kelly stated that, overall, the report was very positive and there were no significant weaknesses identified. This reflected the Council's strong governance arrangements. The document also reflected the transition of the Council and regeneration projects that the Council had undertaken, the document underlined the importance of continuing the momentum of the projects to enable financial sustainability. The Medium Term Financial Plan had highlighted a £2m annual budget gap moving forward and this would be included in the transition to Cumberland Council and had been highlighted in the report.

RESOLVED - 1) That the Audit Committee welcomed the update from Grant Thornton;

2) That the final Annual Report be circulated to the Chair and all Members of the Audit Committee.

AUC.07/23 VALUE FOR MONEY CONCLUSION

Mr Kelly, Grant Thornton, gave a verbal update on the Value for Money Conclusion.

Mr Kelly reported that Grant Thornton was the external auditor of all seven local authorities in Cumbria and they had undertaken an overarching review of the Local Government Reorganisation (LGR) as part of its 2021/22 Value for Money (VfM) work in relation to the seven authorities. A copy of the Review had been circulated to the Committee.

Mr Kelly set out the background, context and approach to the Review and drew attention to the financial sustainability with regard to the two new authorities. He detailed the financial planning for the new unitary councils, the capital programme position and the importance of the organisational resilience moving forward. He noted that the majority of staff at the sovereign councils had focused on 'business as usual' during the period of LGR transition but many of the top four tiers of officers at each authority also had LGR roles. The LGR followed on from the pandemic, he acknowledged that many officers had been working extremely hard over a number of years.

The report covered improving economy, efficiency and effectiveness and the challenges that the new Councils' faced, particularly around the financial systems.

Mr Kelly summed up the conclusion of the report which highlighted areas which would need addressed early on to drive transformational changes forward. The report also praised Carlisle City Council on its good governance via an effective Audit Committee.

Mr Kelly gave personal thanks the Chief Executive, the Corporate Director of Governance and Regulatory Services, Corporate Director of Finance and Resources and the Head of Financial Services for their professionalism and dedication. The Council had an effective Audit Committee with strong internal Audit and excellent governance arrangements.

The Chair also added his thanks to the Corporate Director of Finance and Resources, the Head of Financial Services and the Internal Audit Manager for their outstanding work in ensuring the Council was in the best financial position possible moving forward.

The Committee noted the audit opinions that were outstanding at Copeland Borough Council and questioned what the impact would be on Cumberland Council and its borrowing or funding options.

Mr Kelly confirmed that the matter presented a significant challenge for the new authority, without the opinions the Council would not have an accurate opening balance. Grant Thornton had been supporting Copeland Borough Council during the last 18 months, part of their accounts were very solid, however, the revenue side was not in an audited position. Discussions were taking place with DLUHC to progress the matter at pace.

The Corporate Director of Finance and Resources clarified that the balance sheet would not be completed until September. At that point the disaggregation / aggregation would begin. She confirmed that the Cumberland Council Section 151 Officer was in the process of reviewing the finance structure and the corporate finance team would have a legacy team included to deal with legacy accounts.

RESOVLED - That the Committee welcomed the update on the Value for Money Conclusion and the Review of the Local Government Organisation in Cumbria report.

AUC.08/23 INTERNAL AUDIT PROGRESS REPORT 2022/23 (DECEMBER 2022 - MARCH 2023)

AUC.08/23 INTERNAL AUDIT PROGRESS REPORT 2022/23 (DECEMBER 2022 - MARCH 2023)

The Audit Services Manager submitted report RD.70/22 providing an overview of the work carried out by Internal Audit between December and March of 2022/23.

The Audit Services Manager reported on the final outcomes against the audit plan stating that four planned pieces of work were finalised in the period: National Non Domestic Rates; Neighbourhood Services (Culture); Car Parking Income and Town Deal - Business Assurance Framework.

The Audit Manager highlighted section 2.4 of the report which set out why the proposed formal follow up of ICT recommendations would not be progressed and provided alternative assurances obtained by Internal Audit. He also gave an update on the Sustainable Warmth Grant audit, should an extension be approved Internal Audit would liaise with responsible officers to determine what further assurances were required for ongoing delivery of the project.

The Audit Manager reported that that there had been significant improvements to responses for outstanding actions as a result of the work undertaken by Internal Audit during the period.

Referring to the Sustainable Warmth Grants, a Member asked for further information should the extension be received and the project moved to Cumberland Council.

The Audit Services Manager provided assurances that should Cumberland Council

progress with the project there would be an early audit follow up to ensure the Council had adequate processes in place to maximise delivery of the grant.

The Corporate Director of Finance and Resources confirmed that should the extension be agreed the project would be continued by Cumberland under the transition arrangements and the grants would still be available to everyone in Cumbria.

RESOLVED - That the Audit Committee:

- i) noted the progress against the audit plan for 2022/23 (RD.70/22);
- ii) received the final audit assignments as outlined in paragraph 2.2;
- iii) noted the progress made on audit recommendations to date outlined in Appendix 1.

AUC.09/23 INTERNAL AUDIT REPORT - NATIONAL NON-DOMESTIC RATES

The Audit Services Manager submitted the National Non Domestic Rates internal audit report (RD.71/22).

The Audit Services Manager reported that the audit provided reasonable assurances with 4 medium graded recommendations.

RESOLVED - That the Internal Audit Report - National Non-Domestic Rates (RD.71/22) be received.

AUC.10/23 INTERNAL AUDIT REPORT - NEIGHBOURHOOD SERVICES - (CULTURE) FOLLOW UP

The Audit Services Manager submitted the Neighbourhood Services (culture) follow up internal audit report (RD.72/22).

The Audit Services Manager reported that the audit provided reasonable assurances (increased from partial) with 2 medium graded recommendations.

RESOLVED - That the Internal Audit Report - Neighbourhood Services (culture) follow up (RD.72/22) be received.

AUC.11/23 INTERNAL AUDIT REPORT - CAR PARKING INCOME

The Audit Services Manager submitted the Car Parking Income internal audit report (RD.73/22).

The Audit Services Manager reported that the audit provided reasonable assurances with 6 medium graded recommendations. In response to a question the Audit Services Manager confirmed that the number of unaccounted foreign coins was minimal, however, there needed to be some further guidance on how they could be stored.

RESOLVED - That the Internal Audit - Car Parking Income (RD.73/22) be received.

AUC.12/23 INTERNAL AUDIT REPORT - TOWN DEAL (BUSINESS ASSURANCE FRAMEWORK)

The Audit Services Manager submitted the Town Teal (Business Assurance Framework) internal audit report (RD.71/22).

The Audit Services Manager reported that the audit provided reasonable assurances with 2 medium graded recommendations.

RESOLVED - That the Internal Audit - Town Teal (Business Assurance Framework (RD.71/22) be received.

AUC.13/23 AUDIT COMMITTEE'S ANNUAL REPORT

The Chair presented report RD.64/22, which summarised the work carried out by the Audit Committee during 2022/23 demonstrating to Council and stakeholders the effectiveness of the Committee in maintaining the organisation's internal control environment and governance arrangements.

RESOLVED - That the Audit Committee noted and accepted the report for recommendation to Council.

AUC.14/23 TREASURY MANAGEMENT OCTOBER TO DECEMBER 2022

The Head of Financial Services submitted the Treasury Management October - December 2022 (RD.60/22) which provided the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

The Head of Financial Services informed the Committee that the majority of the investments would be back before 31 March 2023 to satisfy the Council's cash position, any balance as at 31 March would transfer to Cumberland Council.

A Member asked for details of cash and assets that would be transferred to Cumberland Council, the Corporate Director explained that information would be available, however, the final figures would not be known until the audit was finalised in September. A draft balance sheet would be available at the end of May 2023, but this would be after Vesting Day.

In response to a question the Head of Financial Services confirmed that any grants that the City Council had not yet spent had been invested and included in the report, this included the unspent Sustainable Warmth Grant.

RESOLVED - That the Treasury Management Report October - December 2022 (RD.60/22) be noted.

AUC.15/23 INTERNAL AUDIT ANNUAL REPORT 2022/23

The Head of Financial Services provided a summary of the outcomes of the work undertaken by Internal Audit for Carlisle City Council in 2022/23, including the Designated Head of Internal Audit's draft opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS) (RD.65/22)

The Head of Financial Services explained that this report had been brought to the

Committee early due to LGR, the opinion was at a draft stage based upon work undertaken by Internal Audit to date. He noted that 73% of proposed reviews had been completed with a further 3 expected to be completed by 31 March, taking the estimated completion to 89% which exceeded the usual position.

The opinion, based on the completed audit work, the overall framework of governance, risk and internal control was reasonable and audit testing had confirmed that controls were generally working effectively in practice, although there were specific control concerns in relation to ICT services and general concerns about Council resources.

RESOLVED - That the Audit Committee noted

- (i) The progress achieved in 2022/23 in delivering the Audit Plan and the outcomes of completed audit reviews as set out at Appendix A, RD.65/55;
- (ii) The Designated Head of Internal Audit's draft opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2023;
- (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, RD.65/22.

AUC.16/23 DRAFT ANNUAL GOVERNANCE STATEMENT AND NARRATIVE STATEMENT

The Head of Financial Services presented the draft Annual Governance Statement and Draft Narrative Statement that would be included in the City Council's Statement of Accounts for 2022/23 (RD.75/22).

The Head of Financial Services reported that as the City Council would cease to exist on 31st March and its duties taken on by Cumberland Council, the Statement of Accounts and Annual Governance Statement (AGS) would be approved by Cumberland Council. Therefore, as the Committee that had delegated responsibility to approve the Statement of Accounts and AGS for the Council, it was deemed appropriate that at this last meeting of the Committee the Audit Committee saw the proposed draft documents and ensured that they reflected the activity of the City Council in 2022/23.

RESOLVED - That the Audit Committee noted the two draft statements prepared in advance of the City Council's demise and recommended them to Cumberland Council (RD.75/22)

The Meeting ended at: 11:18