

# AGENDA

## Audit Committee

**Wednesday, 27 September 2017 AT 10:00  
In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG**

### **Apologies for Absence**

To receive apologies for absence and notification of substitutions.

### **Declarations of Interest**

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

### **Public and Press**

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

### **Minutes**

**5 - 28**

To approve the Minutes of the meetings held on 14 and 31 July 2017.

[Copy Minutes in Minute Book Volume 44(2) / herewith]

## **PART A**

**To be considered when the Public and Press are present**

|            |  |                      |
|------------|--|----------------------|
| <b>A.1</b> | <b><u>MINUTES OF BUSINESS AND TRANSFORMATION SCRUTINY PANEL</u></b>  | <b>29 -<br/>42</b>   |
|            | The Minutes of the meeting of the Business and Transformation Scrutiny Panel held on 3 August 2017 are submitted for information.<br><br>(Copy Minutes herewith)   |                      |
| <b>A.2</b> | <b><u>ANNUAL AUDIT LETTER 2016/17</u></b>  | <b>43 -<br/>52</b>   |
|            | To receive Grant Thornton's Annual Audit Letter 2016/17 for information.<br><br>(Copy Letter herewith)   |                      |
| <b>A.3</b> | <b><u>CODE OF CORPORATE GOVERNANCE AND GOOD GOVERNANCE PRINCIPLES</u></b>  | <b>53 -<br/>94</b>   |
|            | The Chief Finance Officer to submit a report updating Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework.<br><br>(Copy Report RD.22/17 herewith)                          |                      |
| <b>A.4</b> | <b><u>INTERNAL AUDIT PROGRESS QUARTER 2 - 2017/18</u></b>  | <b>95 -<br/>180</b>  |
|            | The Chief Finance Officer to submit a report providing an overview of the work carried out by Internal Audit in the second quarter of 2017/18, together with information on progress against the agreed audit plan.<br><br>(Copy Report RD.21/17 herewith) |                      |
| <b>A.5</b> | <b><u>TREASURY MANAGEMENT: APRIL TO JUNE 2017</u></b>  | <b>181 -<br/>196</b> |
|            | The Chief Finance Officer to submit a report providing the regular quarterly summary of Treasury Management Transactions. The Executive considered the matter on 29 August 2017.<br><br>(Copy Report RD.20/17 and Minute Excerpt herewith)                 |                      |

## **PART B**

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

- NIL -

### **Members of the Audit Committee**

**Conservative** - Higgs, Mrs Mallinson, Shepherd, Bowman S (sub), Christian (sub), Earp (sub)

**Labour** – Mrs Birks, Bowditch (Vice-Chairman), Patrick (Chairman), S Sidgwick, Alcroft (sub), Ms Williams (sub), Wilson (sub)

### **Enquiries:**

Morag Durham - tel: 817036



**AUDIT COMMITTEE**

**FRIDAY 14 JULY 2017 AT 10.00 AM**

**PRESENT:** Councillors Mrs Birks, Bowditch, Higgs, Earp (as substitute for Councillor Mrs Mallinson), Patrick, Shepherd and Sidgwick S

**OFFICERS:** Chief Executive (until 10.43 am)  
Deputy Chief Executive  
Corporate Director of Governance and Regulatory Services  
Chief Finance Officer  
Deputy Chief Finance Officer and Designated Head of Internal Audit

Policy and Communications Manager (until 11.30 am)  
Revenues and Benefits Operations Manager

Principal Auditor  
Principal Accountant

Audit Manager (Cumbria Shared Internal Audit Service) (until 11.20 am)  
Principal Auditor (Cumbria Shared Internal Audit Service) (until 11.20 am)

**ALSO**

**PRESENT:** Associate Director (Grant Thornton)  
Audit Manager (Grant Thornton) (until 12.07 pm)

**AUC.16/17 APPOINTMENT OF CHAIRMAN**

The Corporate Director of Governance and Regulatory Services welcomed all those present to the meeting. He indicated that the first item of business was to appoint a Chairman of the Committee for the 2017/18 Municipal Year and sought nominations in respect thereof.

Councillor Earp moved, Councillor Bowditch seconded, and it was:

**RESOLVED** – That Councillor Patrick be appointed Chairman of the Audit Committee for the 2017/18 Municipal Year.

Councillor Patrick thereupon took the Chair.

**AUC.17/17 APPOINTMENT OF VICE-CHAIRMAN**

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

Councillor Patrick moved, it was seconded, and:

**RESOLVED** – That Councillor Bowditch be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2017/18.

## **AUC.18/17 WELCOME**

The Chairman extended a warm welcome to all those present and, particularly, the new Members of the Committee.

## **AUC.19/17 APOLOGY FOR ABSENCE**

An apology for absence was submitted on behalf of Councillor Mrs Mallinson.

## **AUC.20/17 DECLARATIONS OF INTEREST**

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

## **AUC.21/17 PUBLIC AND PRESS**

In order to facilitate the attendance of the Audit Manager and Principal Auditor (Cumbria Shared Internal Audit Service), the Chairman moved that Agenda items A7 (Internal Audit Progress Report 2016/17 Quarter 4), A8 (Internal Audit Annual Report 2016/17) and A9 (Internal Audit Progress Quarter 1 – 2017/18) be taken immediately following Item A.1 (Minutes of Resources Overview and Scrutiny Panel). The remaining business would then be dealt with as scheduled on the Agenda. That course of action was duly agreed.

RESOLVED – That the order of proceedings be varied as outlined above.

## **AUC.22/17 MINUTES OF PREVIOUS MEETING**

The Minutes of the meeting of the Audit Committee held on 16 March 2017 were submitted.

RESOLVED – That the Minutes of the meeting of the Audit Committee held on 16 March 2017 be agreed as a correct record and signed by the Chairman.

## **AUC.23/17 MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL**

The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 13 April and 13 June 2017 were submitted for information.

RESOLVED – That the Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 13 April and 13 June 2017 be noted and received.

## **AUC.24/17 INTERNAL AUDIT PROGRESS REPORT 2016/17 QUARTER 4**

The Audit Manager (Cumbria Shared Internal Audit Service) submitted report RD.12/17 summarising the work carried out by Internal Audit in the latest period in relation to completion of the 2016/17 plan.

The report recorded that it had not been possible to complete one audit from the revised 2016/17 plan. That related to the audit of NNDR (Business Rates). Audit testing was ongoing within the in-house team and it was envisaged that the report would be concluded by the City Council Team.

There were nine audit reports for consideration by Members: Audit of Car Parking Income; Audit of Flood Related Procurement; Audit of Early Release and Voluntary Redundancy Scheme; Audit Follow Up of Homeworking Arrangements; Audit of Disabled Facilities Grants; Audit of

Asset Acquisitions and Disposals; Audit of Mobile Device Security; Audit of Performance Management; and Audit of Physical Security of Premises.

The Audit Manager (Cumbria Shared Internal Audit Service) indicated that he would provide a brief overview of those audits which had received a reasonable or substantial assurance opinion; before focussing in greater detail on the audits with a partial assurance opinion. The Audit Manager (Cumbria Shared Internal Audit Service) then outlined the above mentioned audits highlighting, in particular, the key points and associated recommendations.

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

#### Audit of Car Parking Income (Reasonable Assurance Opinion)

- *Referencing Section 4.4 (Areas for development), a Member acknowledged that a great deal of work had been undertaken in relation to car parking. One aim and key objective was, however, around the maximisation of income generation. Why therefore was no clear documented strategy in place?*

The Deputy Chief Executive reminded Members that external consultants engaged by the Council had undertaken work which had led to a number of actions, the aim of which was to sustain and, if possible, increase income levels. That had occurred to a variable degree. Monitoring of income against targets took place at Departmental Management Team meetings.

The Audit of Car Parking Income had been given reasonable assurance, and the Deputy Chief Executive felt that resources may be better directed to those areas where more improvement was needed.

- *Post the December 2015 floods certain people appeared to be unaware of current car parking regulations. Were those visible in each car park?*

In response, the Deputy Chief Executive stated that the Car Parking Team had done an excellent job in progressing the replacement of signage across all of the authority's car parks. The new signage included location numbers, payment options and parking guidance.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder added that people may well be unaware of the new app, but that was clearly explained on the new signage.

- *Referencing page 277 of the document pack, a Member noted that the Car Parking and City Centre service plan referred to the undertaking of a SWOT analysis to assess each car park. That had not yet been carried out, and he highlighted the associated risk exposure for the authority.*

The Deputy Chief Executive pointed out that the assessment of car park assets with a view to maximising income streams could be undertaken utilising a range of tools; and, although a SWOT analysis may not have been carried out, that assessment work continued to be done. He assured Members that monitoring of car parking income and expenditure was taking place on a regular basis.

The Chairman welcomed the reasonable assurance opinion attributed to the audit review.

#### Audit of Flood Related Procurement (Reasonable Assurance Opinion)

#### Audit of Early Release and Voluntary Redundancy Scheme (Reasonable Assurance Opinion)

The Chairman noted that, in general, good controls were in place around the governance of flood related procurement; and the Early Release and Voluntary Redundancy Scheme.

#### Audit Follow Up of Homeworking Arrangements (Reasonable Assurance Opinion)

- *Given that this was a follow up audit, should the recommendations have been fully implemented by now; and had a review date been identified?*

The Audit Manager (Cumbria Shared Internal Audit Service) indicated that the audit did not include a Management Action Plan. There was therefore no specific date for review.

The Chief Finance Officer added that, although there would be no formal follow up, the new in house Internal Audit team would pick up any recommendations and report on progress.

- *The improvements agreed as part of the initial audit included the undertaking of risk / health and safety assessments and formal review thereof. Had that been addressed?*

In response, the Chief Finance Officer confirmed that the issue had been addressed and the Safety, Health and Environmental Manager had actioned the required safety audits.

In conclusion, the Chairman welcomed the reasonable assurance opinion given.

#### Audit of Disabled Facilities Grants (Reasonable Assurance Opinion)

The Committee received the Audit Review.

#### Audit of Asset Acquisitions and Disposals (Substantial Assurance Opinion)

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder emphasised that the acquisition and disposal of assets was a key priority for the City Council. The excellent work undertaken by Officers and good controls in place had resulted in income generation in the sum of £1.6 m.

The Corporate Director of Governance and Regulatory Services noted the substantial assurance opinion which reassured him that good governance arrangements were in place. He also emphasised the excellent work undertaken by staff in the management and control of valuable public assets.

*Members acknowledged that the asset acquisition and disposal programme was key for the authority and were reassured by the excellent work done in that area.*

#### Audit of Mobile Device Security (Partial Assurance Opinion)

- *Members expressed concern that instances had arisen whereby the audit work was impaired due to the unavailability of Council staff; and questioned whether ICT had the necessary capacity to undertake the work or whether additional support and resources were required.*

In response, the Chief Executive explained the circumstances which had led to the unavailability of ICT staff, adding that he would have taken steps to try to rectify the situation had he been alerted to the difficulty earlier in the process.

The Chief Executive did not consider that capacity was an issue within ICT Services. Both ICT management and he needed to take responsibility for addressing the recommendations emanating from the audit review.

- *What were the next steps in terms of progressing the review?*

The Chief Finance Officer replied that Internal Audit would undertake a follow up review and report back to the Committee in due course.

The Chief Executive indicated that, as a result of the implementation of Microsoft Office 365 and cloud based infrastructure, increased numbers of staff would be utilising mobile devices. Significant work remained to be done to provide the necessary assurance around information security and the security of mobile devices.

- *Criminals posed a real and increasing threat in terms of information / data security. How secure were the authority's ICT systems and applications both now and in the future?*

In response, the Chief Executive provided an overview of the systems control / testing undertaken in compliance with the required regulations and codes of practice. Notwithstanding that it was acknowledged that both the Audit Committee and senior management needed to be reassured that the Council's network was protected.

- *Developments in ICT and associated security threats continually evolved to an extent where it was difficult to keep pace. The focus should therefore be on staff awareness and monitoring.*

The Associate Director (Grant Thornton) stated that cyberattacks posed a real and significant risk and the Committee should not underestimate the importance of that emerging risk area.

The Associate Director added that Falanx Cyber Defence had prepared a report on cybercrime, and he was happy to share that information with Members of the Committee.

- *The Council was in the process of establishing an Information Officer post (as required from 2018 by the European General Data Protection Regulations 2016). When would that postholder be in place?*

The Corporate Director of Governance and Regulatory Services explained that the issue had been raised in discussion with the other Cumbrian authorities, and that the job description was in the process of being finalised.

The Chief Executive updated Members on the talks which had taken place at the Chief Executives' Group. He also emphasised the importance of information management and security, and the need to adequately resource that aspect of the authority's work.

Members were reassured by the responses provided.

#### Audit of Performance Management (Partial Assurance Opinion)

- *It was pleasing to note, as evidenced by the Action Plan, that significant progress had been made against all three of the high priority recommendations and that progress was also being made on a range of other performance management activities.*

In response, the Deputy Chief Executive provided a brief overview of the background to and scoping of the audit review; the positive close out meeting; and significant progress achieved to date. Although the audit review was valuable, he believed that greater attention needed to be given to the timing of such reviews moving forward.

The Policy and Performance Manager informed the Committee that the new performance reporting template had been used in the last cycle, placing greater emphasis on SMART objectives and Carlisle Plan actions. Work was ongoing with a view to ensuring synchronisation of the reporting cycles.

- *A Member was most impressed by the work undertaken by the Deputy Chief Executive and his staff in the aftermath of the December 2015 floods, and questioned whether that had impacted upon the capacity of officers to deliver on other scheduled areas of work. He also questioned when the Committee could expect a follow up on the audit review.*

The Deputy Chief Executive did not consider that the floods had a direct effect and was of the opinion that sufficient resources were in place to deliver the agreed Action Plan. Clearly there were challenges around effective performance management, but considerable progress was being made.

In terms of that latter point, the Designated Head of Internal Audit said that the audit follow up would take account of the implementation dates set out within the Performance Management Action Plan.

- *A Member stressed the importance of Recommendation 2 (page 363) – management should ensure that the performance management arrangements regarding the Carlisle Plan were effectively implemented and that those were incorporated into the Performance Management Framework.*

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder reminded Members that the Council's global report template included a section entitled "contribution to the Carlisle Plan Priorities" which report authors had to complete prior to the submission of their reports to Council / Committees. The Executive could therefore see evidence of delivery against Carlisle Plan priorities.

The Deputy Leader noted that there had been an issue around service planning, and that work to address that was ongoing.

#### Audit of Physical Security of Buildings (Partial Assurance Opinion)

- *Section 4.4.1 recorded that the aims and objectives for the physical security of premises were not clearly defined, documented or communicated. Action was therefore required to rectify the position.*

In response, the Audit Manager (Cumbria Shared Internal Audit Service) explained that there was a good awareness amongst officers, and that the issue related to the recording process.

The Corporate Director of Governance and Regulatory Services emphasised the importance of noting that (with one exception) security had been maintained within the existing system at the Civic Centre since 1974. Whilst the Director accepted that the Audit had raised issues which would be addressed, he remained to be convinced that those would lead to a service improvement.

RESOLVED – That the Audit Committee:

- (1) Noted the progress on the 2016/17 Audit Plan as detailed at Section 2 of Report RD.12/17.
- (2) Received the final audit reports for 2016/17, subject to the following:

#### Audit of Asset Acquisitions and Disposals

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

#### Audit of Mobile Device Security

- (a) The Committee acknowledged the fast moving nature of information technology and, in particular, the need for ongoing awareness of the continually evolving and increased threat from cybercrime;
- (b) The Committee welcomed the establishment of an Information Officer post in due course;
- (c) Members looked forward to submission of a follow up report on implementation of the audit recommendations at a future meeting of the Committee.

#### Audit of Performance Management

- (a) The Committee was pleased to note that significant progress had been made against all three of the high priority recommendations cited within the Action Plan which would guide delivery of the Carlisle Plan;
- (b) Members looked forward to submission of a follow up report on implementation of the audit recommendations at a future meeting of the Committee.

#### Audit of Physical Security of Premises

The Audit Committee looked forward to receiving the necessary assurance regarding implementation of the recommendations identified during the audit review by way of the submission of a formal follow up report in due course.

### **AUC.25/17      INTERNAL AUDIT ANNUAL REPORT 2016/17**

The Audit Manager (Cumbria Shared Internal Audit Service) submitted report RD.13/17, the purpose of which was to give his opinion as the Audit Manager for Carlisle City Council on the adequacy and effectiveness of the Council's systems of risk management, governance and internal control from the work undertaken by Internal Audit for the year ended 31 March 2017.

Subject to the caveats detailed at paragraphs 2.3 and 2.4, the Audit Manager's opinion was that Carlisle City Council's overall framework of governance, risk and internal control was reasonable and audit testing had confirmed that controls were generally working effectively in practice. He could further confirm that Internal Audit had maintained its independence during the year.

The Audit Manager (Cumbria Shared Internal Audit Service) summarised the position following changes to the Internal Audit Plan approved by the Committee during the year.

Following those changes the revised 2016/17 plan included 16 risk-based audits, 15 of which had been completed. It had not been possible for the Shared Service to conclude the audit of NNDR (Business Rates) in the time and resource available up to the date of providing the

annual opinion (30 June 2017). Given the end of Carlisle City Council's participation in the Shared Audit Service from 31 March 2017, it was not considered appropriate for the Shared Service to undertake further work which would not form part of the audit opinion for 2016/17. The Audit Manager recommended that the Audit Committee should oversee completion of that audit by the in-house service to ensure that the expected assurance was received.

In light of the above, the 2016/17 audit opinion was based on the 15 completed audits from the 2016/17 plan and 5 from the 2015/16 plan which were finalised in 2016/17 and not included in the 2015/16 annual report. It was his opinion that that level of coverage was sufficient to provide an audit opinion.

Overall levels of assurance for the 20 completed audits were: Substantial – 3 (15%); Reasonable – 12 (60%); Partial – 5 (25%). There were no limited assurance reports.

Details of the audit work completed over the year were provided at Appendix A.

The Audit Manager (Cumbria Shared Internal Audit Service) also explained that the risk based approach was designed to ensure that all internal audit work was conducted in accordance with the Public Sector Internal Audit Standards. A Quality Assurance and Improvement Programme was a recognised area for development within the Internal Audit Shared Service and outcomes from that were summarised at Appendix C.

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

RESOLVED – That the Audit Committee noted:

- The progress achieved in 2016/17 in delivering the Audit Plan and the outcomes of completed audit reviews set out in Appendix A to Report RD.13/17.
- The Audit Manager's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2017.
- The Audit Manager's declaration of Internal Audit independence as required by the mandatory PSIAS.
- The Audit Manager's declaration of conformance with the mandatory PSIAS.
- The performance of the Internal Audit Shared Service as shown in Appendix B.
- The outcomes of the Quality Assurance and Improvement Programme in Appendix C.

The Chairman announced that this was the last meeting of the Audit Committee at which the Audit Manager and Principal Auditor (Cumbria Shared Internal Audit Service) would be present. She thanked the Officers for their work and extended best wishes for the future.

The Audit Manager and Principal Auditor (Cumbria Shared Internal Audit Service) then retired from the meeting.

## **AUC.26/17      INTERNAL AUDIT PROGRESS QUARTER 1 – 2017/18**

Following an introduction by the Designated Head of Internal Audit, the Chairman welcomed the Principal Auditor to the meeting.

The Designated Head of Internal Audit submitted report RD.11/17 providing an overview of the work carried out by Internal Audit in the period April to June 2017. Members were reminded that Internal Audit returned to an in-house provided service from 1 April 2017 with two auditors transferring to the Council from the County Council. Recruitment of a Principal Auditor was also successful and the post holder started on 15 May 2017.

The Audit Plan for 2017/18 was agreed at the last Committee in March 2017. Delivery of the plan had started; however, the two auditors transferred from the County Council had concentrated their efforts on completing outstanding audit work for the 2016/17 Audit Plan in the first quarter. Progress had been made on establishing the policies and procedures required for the new in-house service, including establishing an Audit Manual, a Risk based methodology, working paper templates and time recording system.

Details of progress against the 2017/18 Audit Plan were as shown at Appendix 1. It was likely that the first reports would be issued in the summer and reported to the Committee at its September meeting. It was proposed to also review the Audit Plan at that meeting to reflect the requirement to complete 2016/17 audit work, take account of any further follow up requirements and also to update the expected resources availability.

The Designated Head of Internal Audit advised that, as requested by the Committee, a formal follow up was undertaken of the Records Management Audit recommendations previously reported to the Committee (Appendix 2). Significant progress had now been made against the recommendations which it was hoped would reassure Members.

Internal Audit had conducted an informal review of petty cash and mileage claims. A review of claims and expenditure incurred found that, although there were instances where proper procedures had not been followed for re-imbursement of petty cash, there were no instances of any fraudulent activity. Following the review a general reminder was issued to all staff outlining the correct procedures for petty cash claims and mileage claims.

In order to provide an effective Internal Audit service, there needed to be an effective measure of the performance achieved. It was therefore proposed to set the same indicators reported in 2016/17 as measures of the performance of Internal Audit, details of which were set out at paragraph 3.1. The usefulness of those indicators would be reviewed during 2017/18 and Members' comments were welcomed.

The Designated Head of Internal Audit then outlined the changes incorporated within the proposed new report template attached at Appendix 3. He suggested that Members may wish to await their September 2017 meeting when actual reports were available before taking a decision on the level of detail required.

A new Internal Audit Manual and guidelines had been created as part of the establishment of the new in-house service. The Risk Based Methodology guidelines for use by the service were included at Appendix 4 for information.

Attention was further drawn to Appendix 5 which showed a summary position of outstanding audit recommendations and progress made against implementing the same. There were no completed recommendations to report to the Committee, however progress had begun in

obtaining updates against actions where necessary and the outcome thereof would be reported in September 2017.

In response to a question, the Policy and Communications Manager confirmed that he would check that the Records Management Policy was being implemented in each Directorate.

The Chairman commented that the reassurance provided did impact upon the Committee's perspective moving forward.

**RESOLVED – That the Audit Committee:**

1. Noted the progress against the Audit Plan for 2017/18 set out within Report RD.11/17.
2. Had considered the proposed new report template and welcomed the improved layout (including the scope section to include specific risk areas); Members would come to a view as regards the level of detail required at the September 2017 meeting.
3. Welcomed the submission of the Risk Based Audit Methodology (Appendix 4) which aided Members' understanding.
4. Noted the partial assurance level attributed to the Follow Up Audit of Records Management, but was somewhat reassured to note the progress made on implementation of the audit recommendations; and that a follow up report would be presented in due course.

The meeting adjourned at 11.34 am and reconvened at 11.40 am

## **AUC.27/17      EXTERNAL AUDIT UPDATE REPORT 2016/17**

The Audit Manager (Grant Thornton) submitted a paper detailing progress in delivering Grant Thornton's responsibilities as the Council's external auditors.

Members' attention was drawn to progress at June 2017 in terms of:

- the Audit Fee Letter; and the 2016/17 Accounts Audit Plan
- the interim accounts audit – Grant Thornton's interim work was complete and they had undertaken early substantive work where it was relevant and efficient to do so. Issues arising from the review of Information Technology controls were reported in the external audit update report (16 March 2017). Follow up of agreed recommendations would form part of their planned work for the 2017/18 audit. There were no other issues arising of significance from the interim work and the results were reported in the Audit Plan shared with the Committee on 16 March 2017.
- the 2016/17 final accounts audit – the authority was to be commended in trialling the early closedown and audit of accounts by 31 July 2017, a year ahead of the mandated change in deadlines
- Value for Money conclusion – as part of Grant Thornton's work on the VFM conclusion, in January 2017 they had requested and were still awaiting the Council's assessment of the Minimum Revenue Provision calculations which formed part of the Medium Term Financial Plan savings assumptions.
- Annual Audit Letter; and Housing Subsidy Return

The Audit Manager reminded Members that copies of Grant Thornton's publication entitled 'The Income Spectrum' had been provided at their last meeting.

Referencing The Income Spectrum publication, the Deputy Leader, and Finance, Governance and Resources Portfolio Holder was reminded of the extremely challenging financial situation in which local authorities found themselves.

The Deputy Leader stated that there was a clear need for Members to manage their expectations given the significant reduction in staffing levels within the City Council. He was mindful of the pressure placed on staff and commented upon the need for a balance between the control of paperwork and service delivery.

The Chairman responded that the Audit Committee appreciated the situation which was why questions were raised in relation to capacity in certain areas. Nevertheless the role of the Committee included gaining an assurance on areas where there may be a reduction in performance.

The Associate Director (Grant Thornton) undertook to take on board a Member's request for the inclusion of a glossary within future reports.

The Associate Director (Grant Thornton) concluded this item of business by summarising the work undertaken by Grant Thornton in relation to leadership models. He then circulated copies of their publication – "Setting up a social enterprise" for Members' information.

RESOLVED – That the Audit Committee noted and received the content of the External Audit Progress and Update Report for the year ended 31 March 2017.

#### **AUC.28/17      AUDIT FEE LETTER 2017/18**

The Associate Director (Grant Thornton) presented the Audit fee letter for 2017/18. He explained that:

- The Public Sector Audit Appointments Limited (PSAA) had set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The City Council's scale fee for 2017/18 had been set at £53,290; and
- At the request of the Department for Work and Pensions, auditors appointed by PSAA would continue to certify local authority claims for housing benefit subsidy for 2017/18. The Council's indicative fee for that certification work had yet to be set by PSAA but was anticipated to be around £13,000 to £15,000.

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

The letter also recorded that from 2018/19 PSAA had been specified by the Secretary of State as an appointing person for principal local government and police bodies and would make auditor appointments.

Speaking at the invitation of the Chairman, the Associate Director (Grant Thornton) provided a brief update on the process for the appointment of the Council's auditors. Following the award of contracts to audit firms in June 2017, the PSAA would consult on and confirm auditor appointments to opted-in bodies from 2018/19 between August and December 2017. Copies of the PSAA paper on the matter could be circulated to the Committee.

The Associate Director and the Chief Finance Officer then responded to Members' questions regarding the appointment process.

RESOLVED – That the Audit Committee noted and received the Audit Fee Letter for 2017/18.

#### **AUC.29/17      ANNUAL GOVERNANCE STATEMENT**

The Chief Finance Officer submitted report RD.08/17 providing the City Council's Annual Governance Statement for 2016/17. The Annual Governance Statement (subject to Audit) had been certified by the Council's S151 Officer, Chief Executive and Leader, in accordance with statutory requirements, by 30 June 2017 and would be formally approved following completion of the audit process.

The Chief Finance Officer informed Members that there was only one area of significant weakness, Records Management, in the Council's Governance arrangements which had previously been reported to Members. Although significant progress had been made on improving the records management framework, which had been monitored by Members of the Audit Committee during both 2015/16 and 2016/17, Members requested that a follow up audit review be undertaken to provide them with the required level of assurance from Managers to ensure that the recommended improvements had been made. The results of that audit review report would be considered elsewhere on the agenda and, at this stage, the matter continued to be recorded as a significant weakness and therefore continued to be included in the draft Annual Governance Statement for 2016/17.

Information on the Audit Manager's opinion of reasonable assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2017; the Good Governance Framework; and the preparation and monitoring of a Governance Action Plan was set out at Sections 2 and 3. There were no new areas of risk arising from the Audit reviews or from the Risk Registers that needed to be drawn to Members' attention.

The Chairman was pleased to note that a new performance framework had been developed during 2016/17 and would be in place for 2017/18.

RESOLVED – (1) That the Audit Committee noted the content of the 2016/17 Annual Governance Statement, noting that the Statement would accompany the Annual Statement of Accounts following the audit process.

(2) That the Committee looked forward to receiving an update on the local Code of Corporate Governance at their September 2017 meeting.

#### **AUC.30/17      STATEMENT OF ACCOUNTS 2016/17**

The Deputy Chief Finance Officer presented report RD.10/17 enclosing the Council's Statement of Accounts 2016/17 (subject to audit) which had been certified by the S.151 Officer in accordance with statutory requirements by 30 June 2017. They would now be subject to audit, which must be concluded by the statutory deadline of 30 September 2016.

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

The Deputy Chief Finance Officer reminded Members that, at the Audit Committee meetings in January and April 2017, the Chief Finance Officer had reported that the main changes to the Accounts for the 2016/17 financial year were the introduction of new disclosures on Expenditure and Funding Analysis which could be found at Note 4.14; and also changes to the reporting requirements in the Comprehensive Income and Expenditure Statement detailed at 3.1 of the unaudited accounts.

As part of the Council's training programme training sessions for Members and substitutes of the Audit Committee on the Role of the Audit Committee and scrutiny of the Statement of Accounts process including the Annual Governance Statement had taken place on 29 June and 10 July 2017. Key issues and the practical implications for scrutinising the Statement of Accounts were provided.

The Annual Governance Statement would accompany the Annual Statement of Accounts following the audit process and was included elsewhere on the agenda for consideration. It was a requirement of the 2016 Code that the Annual Governance Statement be considered and approved separately. The Statement of Accounts 2016/17 (subject to audit) was attached at Appendix 2.

Referencing Section 4.3, the Deputy Chief Finance Officer summarised the key issues within the Statement of Accounts to which Members' attention was drawn. In particular, he highlighted the items of note relative to the cost of services; the balance sheet; current assets; current liabilities; long term liabilities; and the Collection Fund, and provided a detailed explanation on each aspect.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder thanked the Financial Services Team for their work.

The Chairman expressed Members' appreciation of the good training provided to assist them in scrutinising the accounts. She further welcomed the positive financial position recorded.

**RESOLVED – That the Audit Committee:**

- (1) Noted the 2016/17 Statement of Accounts, which had been certified as giving a true and fair view by the Chief Finance Officer, and would now be subject to audit.
- (2) Noted that the Annual Governance Statement would be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2015.
- (3) Endorsed the sentiments expressed by the Deputy Leader, and Finance, Governance and Resources Portfolio Holder regarding the good work undertaken by the Financial Services Team, which had enabled the Accounts to be signed off on 31 May 2017 (a month before the statutory deadline).

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

**(a) Provisional General Fund Revenue Outturn 2016/17**

Report RD.03/17 summarising the provisional outturn for the General Fund Revenue Budget and providing reasons for variances. The outturn position showed that the net underspend for Council services as at 31 March 2017, once items to be carried forward / transferred to reserves totalling £800,300 and accounting treatment changes of £1,202,906 were taken into account, was £441,832.

The Executive and the Resources Overview and Scrutiny Panel had considered the matter on 5 June and 13 June 2017 respectively and the decisions were set out in Minutes EX.41/17 and ROSP.44/17.

#### **(b) Provisional Capital Outturn 2016/17 and Revised Capital Programme 2017/18**

Report RD.04/17 summarising the 2016/17 provisional outturn for the capital budget and providing details of the revised capital programme for 2017/18. The outturn showed that the net underspend for Council services as at 31 March 2017 once committed expenditure totalling £4,406,000 was taken into account was £2,475.

The Executive and the Resources Overview and Scrutiny Panel had considered the matter on 5 June and 13 June 2017 respectively and the decisions were set out in Minutes EX.42/17 and ROSP.45/17.

RESOLVED – That Reports RD.03/17 and RD.04/17, together with the references from the Executive and Resources Overview and Scrutiny Panel, be noted.

#### **AUC.31/17 TREASURY MANAGEMENT OUTTURN 2016/17**

The Deputy Chief Finance Officer began by introducing to Members the Principal Accountant who was responsible for treasury management.

The Deputy Chief Finance Officer then submitted the Annual Report on Treasury Management (RD.05/17), as required under both the Financial Procedure Rules and CIPFA Code of Practice on Treasury Management. The regular report on Treasury Transactions for the period 1 January 2017 - 31 March 2017 was also submitted.

The Deputy Chief Finance Officer highlighted in particular the good performance of the CCLA Property Fund; together with the continued close monitoring of credit ratings for banks and building societies.

Developments in the money markets over the previous 12 months and their effect on the Council's investments, together with various performance statistics were also included within the report. Attention was also drawn to the outstanding investments as at 31 March 2017, as detailed on pages 262 and 263 of the document pack.

The Executive and the Resources Overview and Scrutiny Panel had considered the matter on 5 June and 13 June 2017 respectively and the decisions were set out in Minutes EX.43/17 and ROSP.46/17.

A Member commented upon the excellent work undertaken by the Principal Accountant and asked that thanks be also conveyed to other Officers involved.

Another Member was proud to announce that representatives of other local authorities recognised the prudent financial management undertaken at the City Council.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder echoed the sentiments expressed. He was extremely impressed by the level of professionalism displayed by the Principal Accountant in undertaking her responsibilities.

RESOLVED – That Report RD.05/17 be noted and received.

## **AUC.32/17      EFFECTIVENESS REVIEW OF THE AUDIT COMMITTEE**

The Chief Finance Officer submitted report RD.09/17 concerning the effectiveness review of the Audit Committee undertaken on 19 April 2016 in line with the CIPFA Guidance for Local Authority Audit Committees. She summarised the background position, highlighting the agreement reached at that meeting that a workshop be set up to discuss the improvement plan actions to agree a specific implementation plan. That workshop subsequently took place on 11 April 2017.

The Chief Finance Officer advised that the workshop was well attended by six Members and three Officers and concentrated on the Terms of Reference for the Committee; Skills Based Framework and Training Programme; raising the profile of the Committee; and the Assurance Matrix.

The Terms of Reference for the Audit Committee were discussed and reviewed at the workshop with the required changes subsequently reported to and approved by full Council on 15 May 2017 as part of the Council's Scheme of Delegation for 2017/18.

Attention was further drawn to Section 2, which recorded that a skills based framework and a specific training programme had been considered resulting in the agreement of a number of future actions. Furthermore, the format and structure of the Audit Committee meetings and briefing meeting sessions were debated. Members' views were requested in respect of those issues listed at Section 2.3.

Following a recommendation from the external review, the issue of raising the profile of the Audit Committee was considered at the workshop with the suggestions identified at Section 2.3.

The final issue considered briefly was the integrated assurance framework which the external facilitator provided with a request that Members determine whether that could be incorporated into the Committee's assurance work. It was agreed at the workshop that the assurance matrix should form part of the work programme of the Internal Audit team who could populate the sources of assurance and the three lines of defence for consideration by a future meeting of the Committee.

The Corporate Director of Governance and Regulatory Services provided details of the Business Management and Development group which was a recently established sub-group of the Senior Management Team. That sub-group had, as part its remit, responsibility for Governance issues within the authority and was attended by Officers from Governance and Resources.

Discussion arose during which the following observations were raised in response to the proposals at Section 2.3:

- Members would welcome the opportunity to talk to the Chief Executive about the culture of the organisation at a pre-meeting session;
- Senior Members of the Committee could act as mentors to new Members;
- Moving forward the private preparatory / briefing meetings for Members held immediately prior to each meeting to be used as a training session; the new arrangement to be reviewed in a year;
- Task and Finish Group meetings could be held on occasions where such meetings would add value to the work of the Committee;
- Consideration to be given to the number of Committee meetings and possible use of special meetings to avoid the scenario whereby a large volume of business required to be transacted at any meeting;

- Members were in agreement with the suggestions put forward with a view to raising the profile of the Audit Committee.

In terms of the integrated assurance framework, the Associate Director (Grant Thornton) advised that Allerdale Borough Council had in place a robust framework around the three lines of defence. The framework was considered to be best practice and would be of assistance to the Committee in their decision making on that aspect.

RESOLVED – That, subject to the observations detailed above, the Audit Committee noted the comments and proposals discussed at the workshop to inform future actions to improve the effectiveness of the Committee.

### **AUC.33/17 CORPORATE RISK MANAGEMENT**

The Chief Finance Officer reported (CS.17/17) that the Resources Overview and Scrutiny Panel had, on 13 April 2017, considered and noted Report CS.09/17 providing an update on the Corporate Risk Register.

The Corporate Risk Management Group (CRMG) was responsible for delivering and reviewing the Risk Management Strategy, maintaining and improving risk management processes as well as the Council's Corporate Risk Register.

The Chief Finance Officer highlighted the three risks set out at pages 463 to 465 of the document pack, adding that the Risk Register was subject to review and updated on a continuous basis. The first meeting of the newly established Risk Management sub group had taken place. The group's remit included consideration of operational risk.

RESOLVED – That the Audit Committee noted the content of Report CS.17/17 as evidence of the continuing commitment to and culture of sound governance arrangements for corporate risk management.

### **PUBLIC AND PRESS**

**RESOLVED** – That in accordance with Section 100A(4) of the Local Government Act 1972 the Public and Press were excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in the paragraph number (as indicated in brackets against the minute) of Part 1 of Schedule 12A of the 1972 Local Government Act.

### **AUC.34/17 IMPLEMENTATION OF RISK BASED VERIFICATION** (Public and Press excluded by virtue of paragraph 3)

The Revenues and Benefits Operations Manager submitted private report CE.08/17 concerning the implementation of risk based verification.

The Revenues and Benefits Operations Manager outlined, in some detail, the background position, the proposals before Members for consideration, together with the approach to consultation (Sections 1, 2 and 3 referred).

He further explained that, in order to comply with DWP guidelines it was recommended that the Committee approve with immediate effect the implementation of risk based approach to Housing Benefit and Council Tax Reduction administration in Carlisle.

The Committee then gave consideration to the Risk Based Verification Policy; evidence categories by risk; and the assessment process flow chart, copies of which were appended to the report.

During discussion on the issue of high risk claims, Members were of the opinion that consideration should be given to the inclusion of an authorisation process prior to any decision to de-escalate any system identified risk category.

The Corporate Director of Governance and Regulatory Services; the Chief Finance Officer; the Revenues and Benefits Operations Manager; and the Associate Director (Grant Thornton) responded to questions.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder; and the Chief Finance Officer confirmed their support for the proposals.

RESOLVED – That the Audit Committee:

1. Noted the Section 151 Officer's recommendation and agreement contained within Report CE.08/17.
2. Approved and 'signed off' the Risk Based Verification Procedure set out in Appendix A to the Report.
3. Recommended that consideration be given to the inclusion of an authorisation process prior to the de-escalation of system identified risk categories.

[The meeting ended at 1.00 pm]

## **AUDIT COMMITTEE – SPECIAL MEETING**

**MONDAY 31 JULY 2017 AT 10.00 AM**

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

**OFFICERS:** Corporate Director of Governance and Regulatory Services  
Chief Finance Officer  
Deputy Chief Finance Officer and Designated Head of Internal Audit

**ALSO PRESENT:** Deputy Leader, and Finance, Governance and Resources Portfolio Holder

Associate Director (Grant Thornton)  
Audit Manager (Grant Thornton)  
In Charge Auditor (Grant Thornton)

### **AUC.35/17 WELCOME**

The Chairman welcomed all those present to the special meeting of the Audit Committee.

### **AUC.36/17 APOLOGY FOR ABSENCE**

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

### **AUC.37/17 DECLARATIONS OF INTEREST**

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

### **AUC.38/17 PUBLIC AND PRESS**

RESOLVED – That the Agenda be agreed as circulated.

### **AUC.39/17 EXTERNAL AUDIT FINDINGS REPORT FOR CARLISLE CITY COUNCIL 2016/17**

The Associate Director (Grant Thornton) began by introducing the In Charge Auditor who was a key member of the audit team and responsible for much of the detailed audit work undertaken.

The Associate Director presented a report highlighting the key issues arising from Grant Thornton's audit of the Council's financial statements for the year ended 31 March 2017. The report was also used to present their audit findings to management and the Audit Committee in accordance with the requirements of International Standard on Auditing (UK & Ireland) 260 and the Local Audit and Accountability Act 2014.

The Associate Director was pleased to inform Members that overall the position was very positive. Grant Thornton planned to give an unqualified opinion on the financial statements with no material primary statement misstatements identified. One adjustment for £0.579 million to the primary statements had been identified and amended by management. The error related to classification only and did not impact on the financial position of the authority.

In addition, Grant Thornton was satisfied that in all significant respects, the City Council had put in place proper arrangements to secure value for money through economic, efficient and effective use of its resources for the year ended 31 March 2017.

Attention was further drawn to page 9 of the document pack which detailed the additional powers and duties for local government auditors. Grant Thornton had not required to exercise those statutory functions.

The Associate Director reported that the draft financial statements and accompanying working papers had been received well in advance of the 30 June 2017 statutory deadline. Prompt responses had also been provided in respect of queries raised. He wished to convey thanks to the authority and, in particular, to the Chief Finance Officer and the Deputy Chief Finance Officer for what had been a fantastic achievement and a significant step forward.

The Associate Director emphasised that the mandated change in the statutory deadline would take effect in 2017/18. It was therefore very important that the Council's Statement of Accounts was certified by 31 May 2018 or earlier.

The Chairman indicated that it was very pleasing to receive such positive feedback.

The Audit Manager (Grant Thornton) endorsed the sentiments expressed by the Associate Director which were testament to the considerable amount of work undertaken over a four week period.

The Audit Manager provided an overview of the key audit and financial reporting issues set out within the Executive Summary. In conducting the audit, it had not been necessary to alter or change the planned audit approach, communicated to the Committee in the External Audit Plan dated 16 April 2017. She added that (at the time of compilation of the report) the audit was substantially complete, although the procedures in the areas identified on page 9 were being finalised.

The Audit Manager also highlighted:

- The adjustment identified to the primary statements alluded to by the Associate Director. The error related to a misclassification only in the Comprehensive Income and Expenditure Statement and did not impact upon the net financial position of the authority.
- Based on Grant Thornton's review of the Council's Narrative Report and Annual Governance Statement, they were satisfied that those were consistent with the audited financial statements. They were further satisfied that the Annual Governance Statement met the requirements set out in the CIPFA/SOLACE guidance and that the disclosures included in the Narrative Report were in line with the requirements of the CIPFA Code of Practice.

Amendments were made to the Annual Governance Statement to improve the links to the principles in the CIPFA/SOLACE Delivering Good Governance 2016 guidance. A recommendation was made in the Action Plan for the Council to update the local Code of Governance to reflect the revised principles in the revised guidance.

- As reported in their Audit Plan, Grant Thornton determined overall materiality to be £1.141 million (being 1.75% of revenue expenditure – cost of services). They had considered whether that level remained appropriate during the course of the audit and had made no changes.
- The audit findings against significant risks; accounting policies, estimates and judgements; and other communication requirements outlined at pages 14 to 21 of the document pack.

The In Charge Auditor referred to the table at pages 24 – 26 which set out misclassification and disclosure errors identified during the audit, which had been changed in the final set of financial statements. He outlined, in particular, adjustments 2, 3, 5, 7 and 10 for the benefit of the Committee.

The Audit Manager (Grant Thornton) continued by summarising:

- The recommendations contained within the Action Plan, together with the management response thereto (Appendix A referred).
- The work undertaken in relation to the value for money conclusion. A recommendation had been made in the Action Plan for external audit to receive the Council's consideration of the Minimum Revenue Provision treatment for 2017/18. That had been received and a technical review could now be undertaken.
- The final audit fees charged for the audit. It should be noted that the grant certification fee was still an estimate as their work on the Council's housing subsidy claim was ongoing and would not be finalised until November 2017.
- The draft proposed audit opinion set out at Appendix B.
- The glossary provided at the request of a Member, which would be utilised moving forward (Appendix C referred).

The Audit Manager concluded her presentation by expressing appreciation for the way in which the Accounts had been prioritised by the City Council. She thanked Financial Services Officers for their input.

The Deputy Chief Finance Officer confirmed that all of the items outlined had been amended. In terms of recommendation 3 he confirmed that a full review of the lease packets was undertaken following the issue being raised by the auditors and to ensure that the 2016/17 accounts were stated correctly. Where necessary, dates and inception values had been amended and the working paper adjusted.

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

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

- *A Member recognised the very stringent and challenging demands placed on local authorities in terms of financial accountability. She congratulated Financial Services Officers for their exceptional work in realising the achievement of early closedown of the accounts.*

*The Member also paid tribute to the Associate Director and Audit Manager (Grant Thornton) for their input and the good partnership working undertaken.*

*Other Members outlined their appreciation to all concerned.*

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder echoed those sentiments. The Executive had an ambitious plan for economic growth within the Carlisle area which could only be delivered via a sound financial base.

The Deputy Leader wished to place on record his thanks to the Chief Finance Officer, the Deputy Chief Finance Officer, the Principal Accountant, Grant Thornton, and Members of the Audit Committee for their work.

The Chief Finance Officer confirmed that recommendations 1 and 3 within the Action Plan had been implemented; the remainder would be implemented at the year end. She considered that Officers had worked very well with external audit and welcomed the good achievement in terms of the early close down of the accounts.

- *Could Officers identify any risks at this time which may prevent adherence with the statutory deadline for 2017/18?*
- *Internal Audit had returned to an in-house provided service from 1 April 2017. Were all necessary arrangements in place to take the service forward?*

The Chief Finance Officer replied that, as Members were aware, the Accounts and Audit Regulations 2015 would require the City Council's Statement of Accounts for 2017/18 to be certified by 31 May 2018. Financial Services would be working to that timetable or earlier.

The Chief Finance Officer added that there was currently a very good and strong technical team within Financial Services. Potential risks would include any staffing changes which may occur, together with possible changes to the Accounting Code of Practice. She also paid tribute to the work undertaken by the Deputy Chief Finance Officer and Principal Accountant with regard to flood related insurance matters.

On the latter point, she confirmed that the Internal Audit Plan had been considered on 14 July 2017 and that the Designated Head of Internal Audit would update the Committee at their next meeting.

The Audit Manager (Grant Thornton) added that separate meetings took place with the Deputy Chief Finance Officer to ensure that his role as Designated Head of Internal Audit was also covered.

The Associate Director (Grant Thornton) emphasised that the revised close down deadline for 2017/18 would be extremely challenging for external audit. Therefore, if the City Council could work to an earlier date, that would be very helpful. He added that, given the

volume of work involved, submission of the External Audit Findings Report by the reporting deadline would be challenging.

In response, the Corporate Director of Governance and Regulatory Services advised that it was a requirement of the Access to Information Procedure Rules that the Council make copies of agenda and reports open to the public and available for inspection at least five clear days before the meeting in question.

**RESOLVED – That the Audit Committee:**

(1) Noted and received the very positive External Audit Findings Report for the year ended 31 March 2017.

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

(3) Recognised the good work undertaken by the Financial Services Team and the considerable success in achieving the early close down a year ahead of the mandated change in deadlines; it was hoped that success would be replicated for 2017/18. The Committee was also most appreciative of the contribution of the Associate Director; the Audit Manager; and the In Charge Auditor (Grant Thornton).

#### **AUC.40/17      STATEMENT OF ACCOUNTS 2016/17**

The Deputy Chief Finance Officer submitted report RD.17/17 presenting the Council's Statement of Accounts 2016/17 which had been subject to a two month audit process, (commencing in June and with a statutory deadline date of 30 September 2017). The audit for 2016/17 had been completed by 31 July 2017 as a precursor to the statutory deadline being brought forward to that date for 2017/18.

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

There were six recommendations made by the Auditor relating to the disclosure issues raised in the Audit Findings Report (ISA260). The completed Action Plan would be reviewed and closely monitored during 2017/18.

The Deputy Chief Finance Officer concluded by requesting that the Audit Committee approve the 2016/17 Statement of Accounts, noting that also included the audited Annual Governance Statement.

The Chairman noted that various amendments had been made to the Statement of Accounts and Narrative Statement, and sought clarification of the position as regards the Annual Governance Statement.

The Chief Finance Officer and the Audit Manager (Grant Thornton) explained that, due to the timescales involved, the authority had submitted a draft version of the Annual Governance Statement; Grant Thornton had fed comments back and the Statement was amended accordingly.

The Associate Director (Grant Thornton) added that subsequent to the last meeting of the Committee he had reflected upon the Performance Management Framework, and suggested that it needed to be reworded to reflect the ongoing transitional changes.

RESOLVED – That the Audit Committee approved the 2016/17 Statement of Accounts, noting that also included the amended Annual Governance Statement.

#### **AUC.41/17 LETTER OF REPRESENTATION 2016/17**

The Deputy Chief Finance Officer reported (RD.16/17) that the audit of the Statement of Accounts for 2016/17 was substantially complete with the Auditors' Audit Findings Report (ISA260) having been considered earlier in the meeting. Following approval of that report, the Auditors would issue their formal opinion and the audit process for 2016/17 would be complete.

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

Members were asked to approve the Letter of Representation 2016/17.

RESOLVED – (1) That the Audit Committee approved the Letter of Representation for 2016/17.

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

#### **AUC.42/17 CHAIRMAN'S COMMENTS**

Whilst drawing the meeting to a close, the Chairman welcomed the positive feedback received in terms of the business transacted and thanked everyone for their attendance.

[The meeting ended at 10.37 am]



**BUSINESS AND TRANSFORMATION SCRUTINY PANEL**

**THURSDAY 3 AUGUST 2017 AT 10.00 AM**

**PRESENT:** Councillor Mrs Riddle (Chairman), Councillors Allison, Mrs Birks, Mrs Bowman, Mrs Glendinning, Mallinson J, Robson (until 12noon) and Watson (until 1.05pm).

**ALSO PRESENT:** Councillor Glover – Leader (for part of the meeting)  
Councillor Dr Tickner – Deputy Leader, and Finance, Governance and Resources Portfolio Holder  
Councillor Mrs Warwick – Observer  
Mr Finnan – Head of Asset Management at Chancerygate

**OFFICERS:** Town Clerk and Chief Executive  
Deputy Chief Executive  
Corporate Director of Governance and Regulatory Services  
Chief Finance Officer  
Revenues and Benefits Operations Manager  
Strategic Asset Investment Services Manager  
Customer Services Manager  
Overview and Scrutiny Officer

**BTSP.01/17 APOLOGIES FOR ABSENCE**

There were no apologies for absence submitted.

**BTSP.02/17 DECLARATIONS OF INTEREST**

Councillor Allison declared an interest in accordance with the Council's Code of Conduct in respect of Agenda Item A.8 – Amendment to the Discretionary Rate Relief Policy. The interest related to the fact that his son and daughter were in receipt of Discretionary Rate Relief.

**BTSP.03/17 PUBLIC AND PRESS**

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

**BTSP.04/17 AGENDA**

**RESOLVED** – It was agreed that agenda items A.9 and B.1 Asset Management of Kingstown Industrial Estate and Parkhouse Business Park – Response to the Proposed Business Plan be considered as the first items on the agenda.

**BTSP.05/17 MINUTES OF PREVIOUS MEETINGS**

**RESOLVED** – That the minutes of the Resources Overview and Scrutiny Panel held on 13 April 2017, which had been approved by Council on 11 July 2017, be signed by the Chairman.

**BTSP.06/17 CALL - IN OF DECISIONS**

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

**BTSP.07/17            ASSET MANAGEMENT OF KINGSTOWN INDUSTRIAL ESTATE AND  
PARKHOUSE BUSINESS PARK – RESPONSE TO THE PROPOSED  
BUSINESS PLAN**

The Chairman welcomed Mr Finnan, Head of Asset Management, Chancerygate to the meeting.

The Corporate Director of Governance and Regulatory Services submitted report GD.48/17 considering the proposed Business Plan for the future management and development of Kingstown Industrial Estate and Parkhouse Business Park. The financial and commercially sensitive aspects of the Business Plan would be considered when the Panel moved into private session later in the meeting.

The report detailed the background to the procurement exercise which had led to a five year management contract being agreed with property management specialists Chancerygate in October 2016 to manage the property assets at Kingstown and Parkhouse Estates. Since that agreement Chancerygate had been working on the development of the Business Plan and managing the day to day requirements of the contract.

The proposals contained within the Chancerygate Business Plan were designed to deliver on the Council's objectives for the estates as laid out in the procurement prospectus, details of which were provided.

The proposed Business Plan had been organised into four distinct areas, namely Estate Strategy; Development Strategy; Communications Strategy; and Marketing Strategy. Those were outlined at Section 2 to the report and covered in detail within the proposed Business Plan. Each option would be considered on its merits.

**RESOLVED** – That report GD.48/17 Asset Management of Kingstown Industrial Estate and Parkhouse Business Park – Response to the Proposed Business be noted.

**BTSP.08/17            PUBLIC AND PRESS**

**RESOLVED** – That in accordance with Section 100A(4) of the Local Government Act 1972 the Public and Press were excluded from the meeting during consideration of the following item of business on the grounds that it involved the likely disclosure of exempt information as defined in the paragraph number (as indicated in brackets against the minute) of Part 1 of Schedule 12A of the 1972 Local Government Act.

**BTSP.09/17            ASSET MANAGEMENT OF KINGSTOWN INDUSTRIAL ESTATE AND  
PARKHOUSE BUSINESS PARK – RESPONSE TO THE PROPOSED  
BUSINESS PLAN**

(Public and Press excluded by virtue of Paragraph 3)

The Corporate Director of Governance and Regulatory Services submitted private report GD.48/17 outlining the commercially sensitive and financial aspects of the proposals set out in the public report considered earlier in the meeting.

The Executive had considered the matter at their meeting on 3 July 2017 (Minute Excerpt EX.59/17 refers) and sought the views of the Panel.

Mr Finnan, Chancerygate, gave a presentation which set out in detail the objectives of the Business Plan, the development strategy and opportunities for the estates and the key performance indicators

Mr Finnan responded to Members questions clarifying proposals for the Industrial Estate and Business Park, improvement works to undertaken, historical issues regarding parking and litter, rent reviews and investment plans.

The Panel supported the business plan and asked that careful consideration be given the mix of retail and leisure offer in the Industrial Estate and Business Park so that it did not negatively impact the City Centre.

RESOLVED – 1) That report GD.48/17 (Private) Asset Management of Kingstown Industrial Estate and Parkhouse Business Park – Response to the Proposed Business be noted.

2) That the Panel receive a progress report on the Business Plan in six months' time.

3) That Mr Finnan be thanked for the clear well written business plan and detailed presentation.

*The meeting moved back into public.*

## **BTSP.10/17      OVERVIEW REPORT AND WORK PROGRAMME**

The Overview and Scrutiny Officer presented report OS.17/17 providing an overview of matters relating to the work of the Business and Transformation Scrutiny Panel.

The Notice of Executive Key Decisions had been published on 30 June 2017 and the following items fell within the remit of the Panel and had been included in the Panel's Work Programme:

KD.07/17 – The Medium Term Financial Plan (including the Corporate Charging Policy) and the Capital Strategy 2018/19 to 2022/23

KD.08/17 – The Asset Management Plan 2017 to 2022

KD.14/17 – Kingstown Industrial Estate – Management Arrangements

The report included a copy of minute excerpt EX.53/17 Street Trading Policy from the Executive meeting on 3 July 2017.

The Overview and Scrutiny Officer reminded the Panel that the City Council had, on 11 July 2017, agreed to change the names and the remits of the Scrutiny Panels:

Community Overview and Scrutiny Panel —→ Health and Wellbeing Scrutiny Panel

Environment and Economy Overview and —→ Economic Growth Scrutiny Panel

Scrutiny Panel

Resources Overview and Scrutiny Panel —→ Business and Transformation Scrutiny Panel

He highlighted section 3 of the report which set out the parts of the remit which had changed for the Business and Transformation Scrutiny Panel.

The Overview and Scrutiny Officer stressed the importance of Scrutiny being Member led and drew attention to the possible areas of focus for the work programme as set out in appendix 1 of the report. He asked that the Panel give consideration to their priorities for the next financial year.

The Panel discussed the suggestions as detailed in the report and the Town Clerk and Chief Executive commented that the Panel could add value to the authority by helping to shape and develop robust policies. He suggested that the Panel scrutinise Customer Services which would cover workflow and new technology.

The Panel agreed that Customer Services, Customer Contact Strategy and the Community Asset Transfer Policy be added to their work programme.

Following a suggestion from a Member the Panel agreed that the Sickness Absence monitoring report be programmed into the work programme on a bi-annual basis. They agreed that matters that were presented to the Panel on a regular basis would be monitored and consideration would be given to reducing regular reports or scrutinising them on an exception only basis.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Key Decision items relevant to the Business and Transformation Scrutiny Panel (OS.17/17) be noted.

2) That the following matters be added to the Work Programme for the Business and Transformation Scrutiny Panel:

- Customer Services
- Customer Contact Strategy
- Community Asset Transfer Policy

3) That the Sickness Absence Report be considered by the Panel on a bi-annual basis.

#### **BTSP.11/17      DRAFT MEDIUM TERM FINANCIAL PLAN 2018/19 TO 2022/23**

The Chief Finance Officer reported (RD.14/17) on the draft Medium Term Financial Plan (MTFP) 2018/19 to 2022/23, which set out the current framework for planning and managing the Council's financial resources, developing its annual budget strategy and updating its current five year financial plan. The Plan further sought to link the key aims and objectives of the Council, as contained in the Carlisle Plan, to the availability of resources thereby enabling the Council to prioritise the allocation of resources to best meet its overall aims and objectives.

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

Key to those considerations would be:

- Achievement of transformation savings;
- Further reductions in government grant, e.g. New Homes Bonus, Housing Benefit Administration Grant;
- Further consideration of the move to 100% Business Rate Retention and the added responsibilities that may be passed on to the Council, as well as future resets of Business Rate Retention Scheme. Further guidance from the DCLG was anticipated on the Business Rate Retention Scheme to inform the budget process.

As well as some significant pressures, there was scope for some additional savings and additional income opportunities to be considered as part of the budget process. Those considerations were likely to be around Business Rate Retention Growth and Pooling; and refinancing / repayment of Stock Issue loan in 2020.

The Finance, Governance and Resources Portfolio Holder added that Members comments from previous years had been acknowledged and work was being undertaken to improve the consultation process and to make the reports easier to understand.

In considering the Draft Medium Term Financial Plan 2018/19 to 2022/23 Members raised the following comments and questions:

- The financial principles applied to the MTFP included consideration of the impact of the decision to leave the European Union; how would the Council obtain clear advice on the matter?

The Chief Finance Officer responded that Government announcements would be monitored closely for information and advice.

- A Member asked that the following amendments to the report be given some consideration:  
an alternative symbol or colour to highlight positive or negative figures;  
a reduction to the number of tables repeated in the document;  
a reduction in the amount of explanatory information;  
the addition of an executive summary.
- What were the additional cost pressures that needed to be recognised in order to provide services?

The Chief Finance Officer clarified that the potential cost pressures which could include any Government initiatives, new housing developments which the authority would have to service or new initiatives the Council may become involved in.

- What possibilities were being considered for the future of the Cumbria Business Rates Pool following 2020?

The Chief Finance Officer explained that the matter was being monitored but it was likely that there would be no need for a Business Rates Pool after 2020.

- Was the increase in the redevelopment costs for the Leisure Facilities due to flood resilience?

The Town Clerk and Chief Executive clarified that the capital programme assumed £5million towards the cost of the redevelopment. A business case had not been prepared for the proposed redevelopment and the capital programme assumption figure was five years old. There had not been any consideration of flood resilience at this point.

- How would the savings in table 5 of the report be achieved and would the projected savings of £400,000 from Rethinking Waste be delivered?

The Finance, Governance and Resources Portfolio Holder informed the Panel that work was due to begin on the projected savings by the Cross Party Working Group and the result of the work would be included in the budget process.

RESOLVED – 1) That the Draft Medium Term Financial Plan 2018/19 to 2022/23 be welcomed;

2) That the Panel commend the efforts being made by officers to address issues regarding consultation and the clarity of the budget reports and look forward to seeing clearer, more easily understood documents in this year's budget consultation process;

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

The Chief Finance Officer reported (RD.15/17) on the Draft Capital Strategy 2018/19 to 2022/23, which was a key policy document providing guidance on the Council's Capital Programme and the use of resources. The Capital Strategy was reviewed annually alongside the Medium Term Financial Plan, commencing with the assumptions made in the Budget Resolution approved by Council on 7 February 2017. The position had been updated to reflect any known changes since that date.

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

The Executive had considered the draft Capital Strategy at their meeting on 31 July 2017 (EX.62/17 refers) and made it available for consideration by the Business and Transformation Scrutiny Panel.

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

- What was the timescale for bringing the details of the Leisure Contract funding to the Panel?

The Deputy Chief Executive explained that the analysis of the bids was being finalised and the Panel would receive a report regarding the preferred partner in the Autumn.

- When would the £10,000 allocated to Kingstown Industrial Estate Roads be used?

The Corporate Director of Governance and Regulatory Services responded that the budget would be used to change the signage in the Industrial Estate in the coming months.

- A Member asked that the term 'over borrowing' be made clearer in the reports or that alternative terminology be used.

RESOLVED – 1) That the Draft Capital Strategy 2018/19 to 2022/23 (RD.15/17) be welcomed;

2) That the Business and Transformation Scrutiny Panel receive an update on the Leisure Contract at the appropriate time;

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

The Corporate Director of Governance and Regulatory Services presented report GD.49/17 concerning the draft Asset Management Plan 2017 – 2022.

Members' attention was drawn to the fact that asset sales had exceeded the original projections; and that to date 38 assets had been sold realising total gross receipts of circa £10.5 million. Overall the returns showed an increase of approximately 14% above the Business Plan estimates for those assets.

The Executive had considered the draft Asset Management Plan at their meeting on 31 July 2017 (EX.63/17 refers) and

"1. Noted the position as set out in Report GD.42/17.

2. Approved the update to the draft Asset Management Plan in order for it to proceed for consideration by the Business and Transformation Scrutiny Panel, before coming back to the Executive and full Council in September 2017."

In considering the draft Asset Management Plan the Panel made the following comments and questions:

- A Member commented that the work at West Walls had been successful, although felt there was still some issues regarding the steps. He asked what the budgeted £20,000 would be used for.

The Strategic Asset Investment Services Manager explained that the £20,000 had been budgeted for a programme of repointing and repairs along West Walls and the programme was now in its final year. He added that the steps were the responsibility of Cumbria County Council and he understood that they were undertaking some work on them.

- Why had the Enterprise Centre been moved from being managed as an Economic Development asset to being managed as part of the investment portfolio?

The Corporate Director of Governance and Regulatory Services commented that the Enterprise Centre had been a difficult building for the Council to manage and no longer operated as a business incubation centre. The building had been moved into the property portfolio and would be managed as an asset. In the long term consideration would need to be given to the future of the building.

- A Member asked for an update on the opportunities around the Citadel area.

The Corporate Director explained that the Citadel was a long term project which the Corporate Director of Economic Development was dealing with. Any work in the area would require several organisations working together as the City Council did not own all of the assets in the area.

- What plans for asset disposal were in place for 2017/18?

The Strategic Asset Investment Services Manager responded that Property Services had been focussed on residential sites; they had been dealing with any potential issues with the sites prior to disposal to ensure the maximum receipt for the assets.

The Finance, Governance and Resources Portfolio Holder commended Property Services for their excellent work in achieving 14% above the business plan estimates for assets whilst reinstating other assets following the 2015 flood.

The Corporate Director of Governance and Regulatory Services echoed the Portfolio Holder's comments congratulating Property Services on delivering a significant return on assets whilst dealing with the effect of the flood.

A Member also congratulated Property Services on the work they had undertaken on Durranihill Industrial Estate which had resulted in full occupancy of the site.

- How would the potential for Community Asset Transfer (CAT) be integrated into the Asset Management Plan?

The Strategic Asset Investment Services Manager explained that a CAT Policy was being developed and options were being investigated for the lease transfer of some assets whilst retaining them in the Council's portfolio.

- What performance measures were in place for the Asset Management Plan and were they available for the Panel to scrutinise?

The Strategic Asset Investment Services Manager responded that previous performance indicators had been removed nationally as they were no longer relevant and had been difficult to use for comparative purposes. The Asset Management Plan relied on the valuations of assets but further information could be added to future reports.

RESOLVED – 1) That the Draft Asset Management Plan 2017 to 2022 (GD.49/17) be welcomed;

2) That the Community Asset Transfer Policy be added to the Business and Transformation Scrutiny Panel's work programme;

3) That Property Services be congratulated for their work in achieving excellent returns on assets whilst reinstating Council assets following Storm Desmond in 2015.

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

#### **BTSP.14/17            FREEDOM OF INFORMATION ACT / ENVIRONMENTAL INFORMATION REGULATIONS REQUESTS 2016/2017**

The Corporate Director of Governance and Regulatory Services presented report GD.46/17 which provided the Panel with a review of the Council's processing of Freedom of Information Act / Environmental Information regulations requests during the 2016/17 financial year.

The Corporate Director reminded the Panel of the Council's obligation to respond to requests for information received under the Freedom of Information Act 2000, the Environmental Information regulations 2004 and the Data Protection Act 1998.

He drew the Panel's attention to the number of requests received and responded to along with the number/percentage of requests completed within statutory timescales.

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

- A Member commented that the report did not include any financial implications.

The Corporate Director of Governance and Regulatory Services responded that it was impossible to ascertain the cost to each service; however, there was provision for refusing a request if it was deemed too expensive to respond. Eleven refusals had occurred due to cost implications.

- Was there any performance information available to enable comparisons between the City Council and other local authorities?

The Corporate Director explained that there was no comparison data available, however, as detailed in the report, should the City Council attract complaints regarding late responses the Information Commissioner's Officer could put the Council on a 'watch list' and monitor their performance. The City Council was not subject to any such scrutiny.

The Finance, Governance and Resources Portfolio Holder congratulated the Corporate Information Team for dealing with the 716 requests promptly. He explained that the authority was trying to reduce the number of requests by ensuring that as much information as possible was available on the internet, this also reduced the time spent responding to requests.

The Panel discussed options for future reporting and agreed that the report would be scrutinised in future on an exception only basis.

RESOLVED – 1) That the Freedom of Information Act/Environmental Information Regulations requests 2016/17 report (GD.46/17) be noted.

2) That the Corporate Information Team be thanked for their work in responding to requests to the authority for information;

3) That future reports on information requests be submitted for scrutiny on an exception only basis.

## **BTSP.15/17      ASSET RECOVERY – CIVIC CENTRE**

The Deputy Chief Executive presented report CS.19/17 which outlined the proposals for the reinstatement of the Civic Centre following the December 2015 floods along with a range of other plans for the whole site.

The Deputy Chief Executive reminded the Panel of the wide spread damage which Storm Desmond had caused to the Civic Centre and of the temporary measures which had been in place since 2016.

During the period in question a number of Civic Centre occupants had moved out of the building and although those moves were planned before the flood event the storm damage accelerated the departure plans of the organisations. In addition to the storm damage and reduction in 'let space' the Council had also significantly reduced its workforce during the past five years. When combined, those factors had led to a wholesale review of the future use of the operational asset.

The Deputy Chief Executive advised that, following the first phase of recovery from Storm Desmond, Officers had undertaken an internal high level review of options for the Council's future civic, customer and office needs. The review examined the current costs of occupying the Civic Centre, the potential for moving to another suitable building and the future changes that would be required to make the authority's occupation of the Civic Centre a more viable proposition in the future.

The review concluded that the Council's current occupational costs for the Civic Centre were circa £750k per annum and further to that the building had approximately 15k-20ksqft of space to let (equivalent to 3 / 4 floors of the civic tower). The internal review also highlighted that the Civic Centre had permanent functional areas such as the Chamber which were not in frequent use and were therefore expensive to maintain and use.

Following a review of the Council's primary needs it was decided to proceed with recovery of the Civic Centre. Officers were asked to develop plans that would address the following objectives:

- Delivery of a new resilient, demountable, flexible ground floor space that could meet the current and future needs of the Council and its current and potential future partners.
- Zero use of basement with the consequential removal of all building services from that area.
- Improved access to the whole building, its primary services and via partnering a potential hub approach to public sector services.
- Reduced total building costs via partnering and better use of space across the site

With those objectives in mind Officers had worked with WYG (who were already commissioned for all Council flood recovery projects) to produce the plans which were displayed on screen for the Panel.

The Executive had considered the report at their meeting on 31 July 2017 (EX.74/17 refers) and resolved:

“That the Executive

1. Had considered and reviewed the layout and design features of the proposals contained within Report CS.18/17 both for the ground floor reinstatement and the other plans for the whole site.

2.Had reviewed the proposals for funding those proposals using the City Council's insurance settlement, capital programme and the proposed 'invest to save' initiative.

3. Had reviewed the section outlining the One Public Estate programme and its potential contribution to the project and, subject to the views of the Business and Transformation Scrutiny Panel, supported the plans to prepare an Expression of Interest on behalf of key partners outlined in the body of the report. That the Executive had reviewed the proposals to commit capital budget to undertake a pre-planned repair and maintenance programme in the Civic Tower designed to improve the quality and flexibility of the office floor space and improve the Council's potential for leasing the space. That the Executive made the report available to the Business and Transformation Scrutiny Panel for their considered views and comments before formulating any final decisions arising from the report.

In considering the proposals Members raised the following comments and questions:

- How would the public access the proposed new Council Chamber?

The Strategic Asset Investment Services Manager explained that all public access would be ground floor level through the main entrance. The draft plan showed that the space in the existing chamber could be accommodated in the new area; it would change as the plans developed.

- A Member had concerns that the proposed plans would not be wholly financed by the insurance money and questioned how the public would feel about the authority building a new council chamber.

The Town Clerk and Chief Executive explained that it was important to consider the proposals for a new chamber alongside the opportunity to demolish the existing chamber and introduce more car parking in a premium car park in the City which would generate income. The change would be economically sensible. In addition the chamber was not being used regularly and was not accessible to all. The proposed chamber would be a flexible space which could be used for a variety of activities including the Election count which would achieve savings.

- There was some concern that soft meeting areas would not afford the public the appropriate level of privacy.

The Town Clerk and Chief Executive highlighted the design of the tower of the civic centre and the difficulties staff had in interacting due to the design. The soft meeting areas afforded staff space to hold meetings and interact.

The Deputy Chief Executive agreed that private meeting space was also important and drew the Panel's attention to the rooms which had been included in the design.

- Why was the telephony system being placed on the ground floor?

The Town Clerk and Chief Executive responded that the telephony equipment would be wi-fi enabled and not hard wired, this would enable the system to be removed if required.

- Why had Cumbria County Council moved out of the Civic Centre?

The Corporate Director of Governance and Regulatory Services explained that the terms of their occupancy had been set by operation of law. In 1974 the authority changed and the services the previous authority held automatically went to the new authority, this included the occupancy by Cumbria County Council. The loss to the City Council had been Cumbria County Council's contribution to operational costs.

The Finance, Governance and Resources Portfolio Holder reminded the Panel that the proposals were in principle designs. The funding was in place and the designs would go out to tender. He assured the Panel that the ground floor would be designed to budget unless an opportunity for an invest to save scheme came forward. He added that the whole design of the ground floor was to ensure as much of the space as possible would be demountable.

- A Member felt that it would be beneficial to showcase the One Public Estate (OPE) Programme and commented that he supported the project and the opportunities it offered.
- How would the Panel be involved in the process for the ground floor work?

The Finance, Governance and resources Portfolio Holder explained that the matter would go back to the Executive who would consider Scrutiny's comments before making a recommendation to full Council.

The Town Clerk and Chief Executive added that once the decision had been made regarding the in principle design any call on budgets would go through the decision making process. He reminded the Panel that they had the opportunity to call in any Executive decisions which they were not happy with.

- A Member commented that the existing chamber was no longer fit for purpose and the proposed chamber would be more accessible and used more, she added that although she supported improvements to the entrance she felt that the proposed designs were stark and asked that they be considered further.

RESOLVED – 1) That the Asset Recovery – Civic Centre report and flythrough (CS.19/17) be welcomed;

2) That the Panel supports the proposed designs and demolition of the octagon in principle.

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

## **BTSP.16/17          STANDING ORDERS**

During consideration of the above item it was noted that the meeting had been in progress for 3 hours and it was moved, seconded and RESOLVED that Council Procedure Rule 9, in relation to the duration of meetings be suspended in order that the meeting could continue over the time limit of 3 hours.

## **BTSP.17/17          AMENDMENT TO THE DISCRETIONARY RATE RELIEF POLICY**

The Revenues and Benefits Operations Manager reported (CE.10/17) that discretionary rate relief was granted under the Council's policy in accordance with legislative provisions within Section 47 of the Local Government Finance Act 1988 and subsequent amendments.

In response to the national revaluation of business rates which had taken effect from 1 April 2017, the Government had announced additional support measures for businesses as a result of the changes to rateable values for certain groups of businesses, especially those adversely

affected by the revaluation. Accordingly the Council's Discretionary Rate Relief Policy Statement needed amendment to include the new relief schemes so that assistance could be provided.

The schemes introduced were announced in the Spring Budget in March 2017, however, detailed guidance and clarification of the proposals was delayed due to the General Election but had now been confirmed.

The Revenues and Benefits Operations Manager outlined in some detail the following relief measures:

- Newspaper Relief – Support through a discount of up to £1,500 a year for 2 years for office space used by a local newspaper based on one discount per title.
- Support for Pubs - A £1,000 discount for eligible public houses with a rateable value of up to £100,000.
- Supporting Small Businesses - Relief for ratepayers facing large increases following the loss of small business rates or rural relief. Either a fixed percentage increase per year would apply or the bill increase would be capped at £600 per year for up to five years from 2017/18 to 2021/22.
- Targeted Support - From a £300m national discretionary fund, Carlisle had been allocated funding of £340,000 over a period of 4 years. Authorities had discretion to grant support to the most adversely affected and hard pressed businesses affected by the revaluation.

Members' attention was drawn to the eligibility criteria (determined to most effectively target the limited cash funds available), key conditions, proposals for the award of funding, and exclusions applicable to the Targeted Support Scheme set out at Section 2.

The Executive had considered the report at their meeting on 31 July 2017 (EX.65/17 refers) and:

- “1. Approved the proposed revised draft Discretionary Rate Relief Policy as shown in Appendix 1 to Report CE.10/17 for consultation purposes.
2. Noted considerations for delegation to the Revenues and Benefits Operations Manager in point 2.4 of the Report.”

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

- A Member commented that it was sensible to take the approach for the division of the available funds as detailed in the report to enable those who most needed the support to benefit from the award.
- Why did newspapers get relief?

The Revenues and Benefits Operations Manager clarified that relief for newspapers had been determined by central Government. Newspapers could only register their title in one place, however, if one newspaper operated under several titles they had the opportunity to receive rate relief at multiple properties.

- How are small businesses informed of the rate relief?

The Revenues and Benefits Operations Manager explained that small businesses had been subject to a national revaluation; as a result affected businesses who met the criteria were issued with an amended, discounted bill.

- What would the effect of the exit from the EU have on the Policy?

The Revenues and Benefits Operations Manager responded that it was expected that any EU law would move in to British law then information would be circulated by Government.

- A Member commented that it would be useful for the report to include a flow chart which illustrated the type of businesses eligible for relief.

REOLVED – 1) That the amendment to the Discretionary Rate Relief Policy April 2017 (CE.11/17) be welcomed;

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

(The meeting ended at 1.35pm)





# The Annual Audit Letter for Carlisle City Council

**Year ended 31 March 2017**

September 2017

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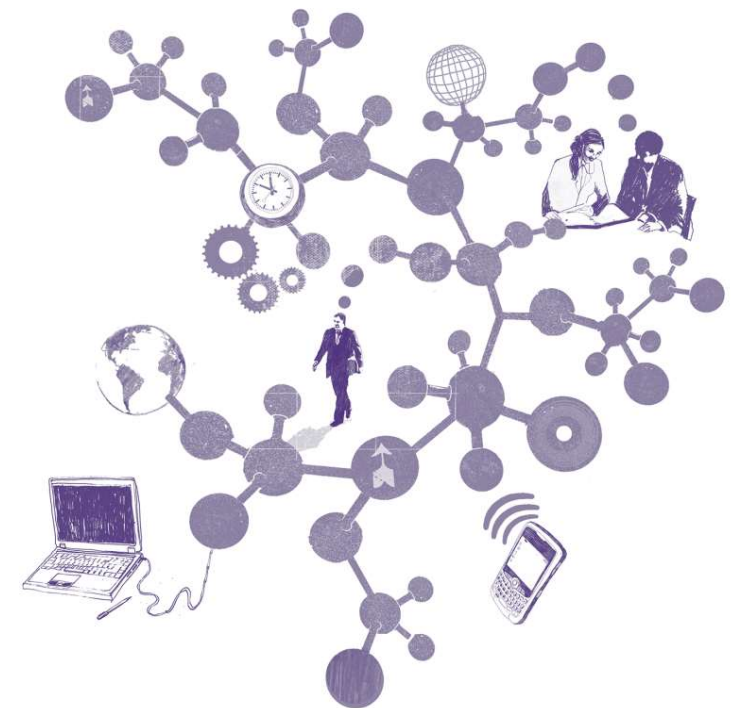
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# Contents

| Section                       | Page |
|-------------------------------|------|
| 1. Executive summary          | 3    |
| 2. Audit of the accounts      | 4    |
| 3. Value for Money conclusion | 7    |
| <b>Appendices</b>             |      |
| A Reports issued and fees     | 9    |

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# Executive summary

## Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work we have carried out at Carlisle City Council (the Council) for the year ended 31 March 2017.

This Letter provides a commentary on the results of our work to the Council and its external stakeholders, and highlights issues we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee, as those charged with governance, in our Audit Findings Report on 31 July 2017.

## Our responsibilities

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

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

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

## Our work

### Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 31 July 2017. Note this is a full two months ahead of the statutory deadline of 30 September 2017.

### Value for money conclusion

We were satisfied that, the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2017. We reflected this in our audit opinion on 31 July 2017.

### Certificate

We certified that, we had completed the audit of the accounts of Carlisle City Council in accordance with the requirements of the Code on 31 July 2017.

### Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by the statutory deadline of 30 November 2017. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

## Working with the Council

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff. In particular the Council and its finance team has demonstrated the ability to produce its financial statements early on 31 May 2017.

**Grant Thornton UK LLP**  
**September 2017**

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# Audit of the accounts

## **Our audit approach**

### **Materiality**

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

We determined materiality for our audit of the Council's accounts to be £1.141 million, which is 1.75% of the Council's revenue expenditure – cost of services. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

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

We set a lower threshold of £57,000, above which we reported errors to the Audit Committee in our Audit Findings Report.

### **The scope of our audit**

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

- the Council's accounting policies are appropriate, have been consistently applied and adequately disclosed;
- significant accounting estimates made by the Chief Finance Officer are reasonable; and
- the overall presentation of the financial statements gives a true and fair view.

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

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

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

We identified key risks and set out overleaf. In Table 1 is the work we performed in response to those significance estimation related risks and the results of this work.

# Audit of the accounts

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

**Table 1: Financial statements related risks**

| Risks identified in our audit plan  | How we responded to the risk  | Findings and conclusions   |
|---|---|--|
| <p><b>Valuation of property, plant and equipment (PPE) and investment properties</b></p> <p>Our work addressed the risk that the Council's property, plant and equipment and investment property portfolio valuation is not materially misstated.</p> <p>The Council revalues its assets annually. The Code requires that the Council ensures that the carrying value at the balance sheet date is not materially different from the current value. This represents a significant estimate by management in the financial statements.</p> | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>• reviewed management's processes and assumptions for the calculation of the estimate;</li> <li>• reviewed the competence, expertise and objectivity of any management experts used;</li> <li>• for any valuation undertaken: <ul style="list-style-type: none"> <li>- reviewed the instructions issued to valuation experts and the scope of their work;</li> <li>- discussed with the Valuer the basis on which the valuation is carried out and challenged the key assumptions;</li> <li>- reviewed and challenged the information used by the Valuer to ensure it is robust and consistent with our understanding;</li> <li>- undertook testing of revaluations made during the year to ensure they are input correctly into the Council's asset register; and</li> </ul> </li> <li>• evaluated the assumptions made by management for those assets not revalued during the year and how management had satisfied themselves that the carrying value of these are not materially different to their current value.</li> </ul> | <p>Our audit work did not identify any issues in respect of the valuation of PPE and investment properties.</p>  |
| <p><b>Valuation of pension fund net liability</b></p> <p>The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements.</p> <p>In response to the move to earlier close-down, there is a greater degree of estimation in the information provided to the Actuary.</p>  | <p>As part of our audit work we:</p> <ul style="list-style-type: none"> <li>• reviewed the controls put in place by management to ensure that the pension fund liability is not materially misstated and walkthrough tested these controls;</li> <li>• reviewed the competence, expertise and objectivity of the Actuary who carried out your pension fund valuation. We gained an understanding of the basis on which the valuation is carried out;</li> <li>• undertook procedures to confirm the reasonableness of the actuarial assumptions made; and</li> <li>• reviewed the consistency of the pension fund asset and liability and disclosures in the notes to the financial statements with the actuarial report from your Actuary.</li> </ul>  | <p>Our audit work did not identify any issues in respect of the valuation of the pension fund net liability.</p> |

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# Audit of the accounts

## Audit opinion

We gave an unqualified opinion on the Council's accounts on 31 July 2017, two months in advance of the 30 September 2017 national deadline.

The Council made the accounts available for audit in line with the agreed timetable, and provided a good set of supporting working papers. The finance team responded promptly and efficiently to our queries during the audit.

## Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 31 July 2017.

One adjustment was identified to primary statements, and was amended by management. The net services expenditure was understated by £0.579 million and financing and investment expenditure was overstated by £0.579 million in the comprehensive income and expenditure statement (CIES). This did not impact upon the net financial position of the Council as the error related to a misclassification only in the CIES.

A number of other adjustments identified were amended by management, but these related to disclosure notes only, and do not impact upon the primary statements. Key disclosure note adjustments related to:

- note 4.32 for PPE was incorrect due to a formula calculation error of £1.262 million in the breakdown of the note, but this did not affect the overall total;
- note 4.38a for financial liabilities was overstated by £0.81 million, as an item relating to a housing benefit creditor is not classified as a financial instrument;
- note 4.38e for the carrying value of financial liabilities was overstated by £0.41 million, due to an incorrect interest rate being used in the valuation of the long term borrowing; and
- note 4.45 for leases was understated by £1.746 million due to incorrect inception values used in the calculations of some lease minimum payments.

## Annual Governance Statement and Narrative Report

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

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council. Amendments were made to the Annual Governance Statement to improve the links to the principles in the new CIPFA/SOLACE Delivering Good Governance guidance published in April 2016.

## Other statutory duties

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

We did not use our other statutory duties.

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# Value for Money conclusion

## Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2016 which specified the criterion for auditors to evaluate:

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

## Key findings

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

The key risk we identified and the work we performed are set out in Table 2 overleaf.

## Overall VfM conclusion

We are satisfied that in all significant respects the Council's put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, for the year ending 31 March 2017.

# Value for Money

**Table 2: Value for money risks**

| Risk identified  | Work carried out  | Findings and conclusions   |
|--|---|--|
| <p><b>Significant service transformation projects and the Medium Term Financial Plan (MTFP)</b></p> <p>The Council's MTFP is predicated on delivering changes to the way in which services are delivered. The Council has identified proposals for reducing spending and increasing efficiency. The programme includes a number of key projects, including internally reshaping the Council.</p> | <p>We reviewed the arrangements the Council has in place to compile the MTFP. This includes a review of how the Council is identifying, managing and monitoring financial information in order to regularly update the MTFP including reporting outcomes to Executive and Full Council.</p> <p>This links to the sustainable resource deployment criteria with the Council's arrangements for planning finances effectively to support the sustainable delivery of strategic priorities.</p> <p>In addition, the Council's arrangements for using appropriate cost and performance information to support decision making. This links to the informed decision making criteria.</p> | <p>The Council continues to face a challenging environment in the short to medium-term. The MTFP approved by Council in September 2016 demonstrated that appropriate steps were being taken to ensure a balanced budget position was maintained despite reduced government funding. A Saving Strategy is in place and continues to focus on assets, service delivery models and the 'Transformation Programme' to deliver the savings required to produce a balanced longer-term budget. The MTFP for 2017/18 to 2021/22 identified savings of £2.274 million. In addition, a savings requirement for 2016/17 of £1.201 million for 2016/17 was achieved, giving total savings of £3.475 million. The Council has a strong history of achieving savings targets.</p> <p>The Council is faced with the continuing challenge of finding further savings which will become increasingly difficult to achieve. It will be essential therefore to ensure that its savings plans continue to be clearly communicated, link to specific policy decisions, service reviews and on-going rationalisation of the workforce. Budget monitoring and reporting to Members is quarterly including anticipated outturn, and includes updates to the Members on the progress of savings.</p> <p>During 2016/17 as part of the 2017/18 budget compilation process, a detailed base budget review included an analysis of core budgets. This provided an additional level of challenge and rigour within the budget setting process.</p> <p>The Council has a comprehensive approach to its medium term financial planning, budgeting and identification of saving plans, which are agreed at a corporate level, by senior officers and members. The strategy is aligned to the Council's corporate priorities, highlights the key financial risks, and adopts a prudent approach to funding streams. The Council has taken this approach to allow it to have the flexibility and resilience in order to address the variable nature of future funding. The Council has good planning assumptions built into the annual and five year budget processes. The Council is responsive to changes required as the strategic planning process considers sensitivity analysis and scenario planning.</p> <p><b>Based on the review of the arrangements in place during 2016/17 for the compilation of the MTFP including identified savings, we concluded that the overall risk was sufficiently mitigated and that the Council has proper arrangements in this area.</b></p> |

# Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and we confirm that no other services were performed.

## Fees

|                                     | Proposed<br>fee<br>£ | Actual fees<br>£ | 2015/16 fees<br>£ |
|-------------------------------------|----------------------|------------------|-------------------|
| Statutory audit                     | 53,290               | 53,290           | 53,290            |
| Housing Benefit Grant Certification | 14,093               | 14,093           | 16,852            |
| <b>Total fees (excluding VAT)</b>   | <b>67,383</b>        | <b>67,383</b>    | <b>70,142</b>     |

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

## Grant certification

Our fees for grant certification cover only housing benefit subsidy certification, which falls under the remit of PSAA.

Our grant certification fee is still an estimate, as our work on the Council's housing subsidy claim is on-going and will not be finalised until the November 2017 deadline.

## Reports issued (presented to the Audit Committee)

| Report                | Date issued       |
|-----------------------|-------------------|
| Audit Plan            | 16 April 2017     |
| Audit Findings Report | 31 July 2017      |
| Annual Audit Letter   | 27 September 2017 |



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# Report to Audit Committee

Agenda  
Item:

**A.3**

Meeting Date: 27 September 2017  
Portfolio: Finance, Governance and Resources  
Key Decision: Not Applicable:  
Within Policy and Budget Framework YES  
Public / Private Public

Title: CODE OF CORPORATE GOVERNANCE & GOOD GOVERNANCE PRINCIPLES  
Report of: Chief Finance Officer  
Report Number: RD22/17

## Purpose / Summary:

This report updates Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework.

## Recommendations:

Members are requested to approve the attached Code of Corporate Governance as attached at **Appendix A**, and note how the Council is complying with the Good Governance Principles as outlined at **Appendix B**.

## Tracking

|                        |                          |
|------------------------|--------------------------|
| Audit Committee:       | <b>27 September 2017</b> |
| Overview and Scrutiny: | <b>Not applicable</b>    |
| Council:               | <b>Not applicable</b>    |

## **1. BACKGROUND**

- 1.1 The Audit Committee have responsibility to consider arrangements for Corporate Governance and agreeing necessary actions to ensure compliance with best practice.
- 1.2 The CIPFA/SOLACE document 'Delivering Good Governance in Local Government: Framework' was updated in 2016 and at its core was the principle that local government develops and shapes its own approach to governance. The Framework intends to assist authorities in reviewing and accounting for their own unique approach.
- 1.3 The Council has therefore reviewed its Code of Corporate Governance to ensure it fits in with the revised Framework and reflects the current governance arrangements of the Council. The revised Code is attached at **Appendix A**.

## **2. GOOD GOVERNANCE PRINCIPLES**

- 2.1 The Annual Governance Statement (AGS) demonstrates how the Council complies with the Code of Corporate Governance and it is approved at the same time as the annual Statement of Accounts are approved. The Good Governance Principles provide a further layer behind the AGS that demonstrate how the Council's governance structures are underpinned by the principles set out in the framework and how effective they are. These Principles and the evidence to show compliance are outlined at **Appendix B** for the Committee's information.

## **3. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

- 3.1 Members are requested to approve the attached Code of Corporate Governance as attached at **Appendix A**, and note how the Council is complying with the Good Governance Principles as outlined at **Appendix B**.

## **4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

- 4.1 To ensure that the Council has sound systems of internal control and that the governance arrangements in place comply with statutory requirements.

**Contact Officer: Alison Taylor**

**Ext: 7290**

## **Appendices**

attached to report:     **Appendix A – Code of Corporate Governance**  
                                 **Appendix B – Good Governance Principles**

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

- **None**

**CORPORATE IMPLICATIONS/RISKS:**

**Community Services – not applicable**

**Economic Development – not applicable**

**Governance & Regulatory Services** – *Delivering Good Governance in Local Government: Framework* has been given ‘proper practices’ status by the Department for Communities and Local Government through non-statutory guidance in respect of the requirement for local authorities to prepare an annual governance statement (which must accompany the statement of account) and the regular review of the Council’s Corporate Governance arrangements.

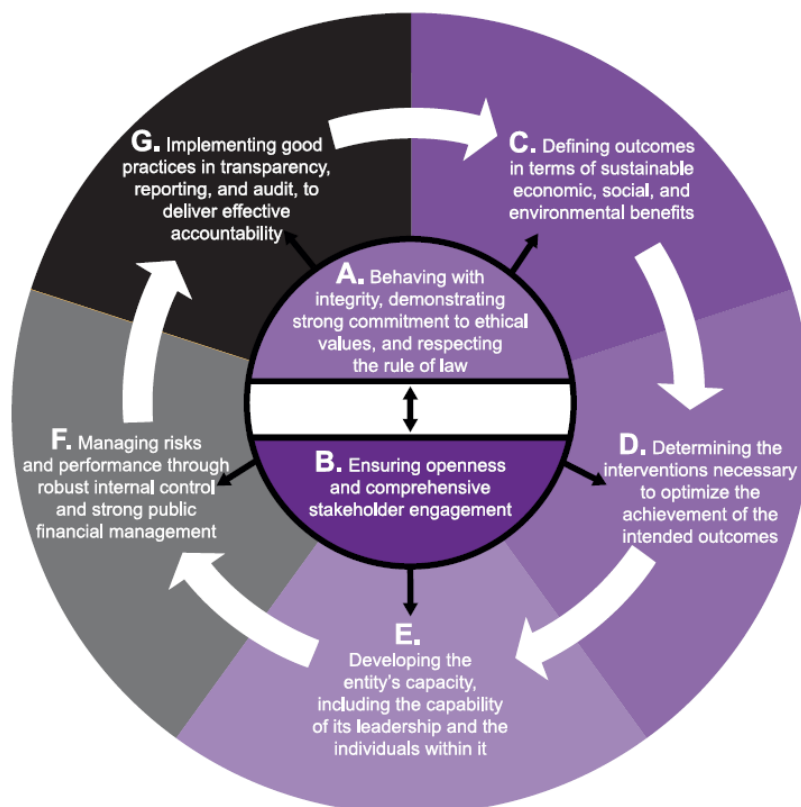
**Corporate Support & Resources** – included in the main body of the report

## CARLISLE CITY COUNCIL

## CODE OF CORPORATE GOVERNANCE - 2017

**1. Introduction**

- 1.1 Governance is about how local government bodies ensure that they are doing the right thing, in the right way, for the right people, in a timely, inclusive, open, honest, transparent and accountable manner. It comprises the systems and processes, and culture and values, by which local government bodies are directed and controlled and through which they are accounted to, and engage with and, where appropriate, lead their communities.
- 1.2 The Delivering Good Governance in Local Government Framework was published by CIPFA in 2016, in association with Solace. The Framework defines Governance as “the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved”.
- 1.3 The Framework also states that “to deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity’s objectives while acting in the public interest at all times. Acting in the public interest implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders”
- 1.4 Carlisle City Council support the seven core principles set out in The Framework:



- 1.5 The Framework details the behaviours and actions necessary to achieve the Core Principles. The remainder of this document sets out the authority's commitment to achieving these principles.

## 2. Core Principles commitment

| <b>A: Behaving with integrity, demonstrating strong commitment to ethical</b> |  |
|---|--|
| <b>Sub Principle</b>  | <b>Carlisle City Council Commitment</b>  |
| Behaving with integrity   | Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation.   |
|   | Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) |
|   | Leading by example and using these standard operating principles or values as a framework for decision making and other actions  |
|   | Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively  |
| Demonstrating strong commitment to ethical values                             | Seeking to establish, monitor and maintain the organisation's ethical standards and performance  |
|   | Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation   |
|   | Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values  |
|   | Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation   |
| Respecting the rule of the law  | Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations   |
|   | Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements   |
|   | Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders  |
|   | Dealing with breaches of legal and regulatory provisions effectively   |
|   | Ensuring corruption and misuse of power are dealt with effectively   |

| <b>B: Ensuring openness and comprehensive stakeholder engagement</b> |   |
|--|---|
| <b>Sub Principle</b>   | <b>Carlisle City Council Commitment</b>   |
| Openness   | Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness   |
|  | Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided                                |
|  | Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear          |
|  | Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action  |
| Engaging comprehensively with institutional stakeholders             | Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably  |
|  | Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively   |
|  | Ensuring that partnerships are based on: trust; a shared commitment to change; a culture that promotes and accepts challenge among partners; and that the added value of partnership working is explicit.   |
| Engaging with individual citizens and service users effectively      | Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. |
|  | Ensuring that communication methods are effective and that members and officers are clear about their roles with regard to community engagement   |
|  | Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs   |
|  | Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account   |
|  | Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity  |
|  | Taking account of the interests of future generations of tax payers and service users   |

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| <b>C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.</b> |  |
|---|--|
| <b>Sub Principle</b>  | <b>Carlisle City Council Commitment</b>  |
| Defining Outcomes   | Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions            |
|   | Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer   |
|   | Delivering defined outcomes on a sustainable basis within the resources that will be available   |
|   | Identifying and managing risks to the achievement of outcomes  |
|   | Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available   |
| Sustainable economic, social and environmental benefits   | Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision  |
|   | Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints |
|   | Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs                        |
|   | Ensuring fair access to services   |

| <b>D: Determining the interventions necessary to optimise the achievement of the intended outcomes</b> |  |
|--|--|
| <b>Sub Principle</b>   | <b>Carlisle City Council Commitment</b>  |
| Determining interventions  | Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided |

|   |   |
|---|---|
|   | Considering feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts |
| Planning interventions                      | Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets   |
|   | Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered  |
|   | Considering and monitoring risks facing each partner when working collaboratively including shared risks  |
|   | Ensuring arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances   |
|   | Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured  |
|   | Ensuring capacity exists to generate the information required to review service quality regularly   |
|   | Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan   |
|   | Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy  |
| Optimising achievement of intended outcomes | Ensuring the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints  |
|   | Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term  |
|   | Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage                   |
|   | Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of goods, services and outcomes"                                 |

| <b>E: Developing the entities capacity, including the capacity of its leadership and the individuals within it.</b> |   |
|---|---|
| <b>Sub Principle</b>  | <b>Carlisle City Council Commitment</b>   |
| Developing the entity's capacity  | Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness   |
|   | Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently   |
|   | Recognising the benefits of partnerships and collaborative working where added value can be achieved  |
|   | Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources   |
| Developing the capability of the entity's leadership and other individuals  | Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained   |
|   | Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body   |
|   | Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority   |
|   | <p>Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>• Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>• Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>• Ensuring personal, organisational and system-wide development through shared learning, including lessons learnt from governance weaknesses both internal and external</li> </ul> |
|   | Ensuring that there are structures in place to encourage public participation   |

|  |   |
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|  |   |
|  | Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections                     |
|  | Holding staff to account through regular performance reviews which take account of training or development needs  |
|  | Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing |

| <b>F: Managing risks and performance through robust internal control and strong public financial management</b> |  |
|---|--|
| <b>Sub Principle</b>  | <b>Carlisle City Council Commitment</b>  |
| Managing Risk   | Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making  |
|   | Implementing robust and integrated risk management arrangements and ensuring that they are working effectively   |
|   | Ensuring that responsibilities for managing individual risks are clearly allocated   |
| Managing performance  | Monitoring service delivery effectively including planning, specification, execution and independent post implementation review  |
|   | Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook  |
|   | Ensuring an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible |
|   | Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement   |
|   | Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements )  |
| Robust Internal Control   | Aligning the risk management strategy and policies on internal control with achieving the objectives   |
|   | Evaluating and monitoring the authority's risk management and internal control on a regular basis  |
|   | Ensuring effective counter fraud and anti-corruption arrangements are in place   |

|  |   |
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|  | Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor   |
|  | Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: provides a further source of effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon |

| <b>F: Managing risks and performance through robust internal control and strong public financial management</b> |  |
|---|--|
| <b>Sub Principle</b>  | <b>Carlisle City Council Commitment</b>  |
| Managing Data   | Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data |
|   | Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies   |
|   | Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring                                   |
| Strong public financial management  | Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance                     |
|   | Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls |

| <b>Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability</b> |   |
|--|---|
| <b>Sub Principle</b>   | <b>Carlisle City Council Commitment</b>   |
| Implementing good practice in transparency   | Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate   |
|  | Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand   |
| Implementing good practices in reporting   | Reporting at least annually on performance, value for money and the stewardship of its resources  |
|  | Ensuring members and senior management own the results  |
|  | Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance (annual governance statement) |
|  | Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate  |
|  | Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations  |
| Assurance and effective accountability   | Ensuring that recommendations for corrective action made by external audit are acted upon.  |
|  | Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon   |
|  | Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations   |
|  | Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement  |
|  | Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met  |

**GOOD GOVERNANCE PRINCIPLES (JUNE 2017)**

**Core Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.**

| <b>A1 Behaving with integrity</b>  |   |   |   |                     |
|--|---|---|---|---------------------|
| <b>Details</b>   | <b>Responsibility</b>                       | <b>Evidence provided</b>  | <b>Evidence</b>   | <b>Improvements</b> |
| Ensuring members and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation. | Chief Executive / Governance and Regulatory | <p>The Code of Conduct for Members and the Employee Code of Conduct form part of the Constitution.</p> <p>All staff should take part in an annual appraisal. Part of the appraisal focuses on:</p> <ul style="list-style-type: none"> <li>• Reviewing performance</li> <li>• Narrowing gaps between customer expectations and service delivery</li> </ul> <p>The Council has a scheme for Induction training for new staff, which require staff to sign they have read and understood a number of policies, including the Code of Conduct. New initiative on standards of expected behaviour being implemented through the 3C's initiative (clear, committed and concise).</p> <p>The Chief Executive has the lead responsibility for setting the tone of the organisation, ensuring that conduct codes/Council policies are complied with, whilst also ensuring that the culture of the authority – its values, behaviours and attitudes (3 C's) – are seen and practised in positive ways.</p> <p>The Chief Executive ensures that the climate of openness, support and respect is engendered by ensuring that he is always available to staff and Members and that staff have the opportunity for open discussions:</p> <ul style="list-style-type: none"> <li>• Fortnightly Senior Management team meetings</li> <li>• Monthly Management briefings</li> <li>• Employee Opinion Surveys which produce action plans and are led by the Chief Executive and the Senior Management Team</li> <li>• Chief Executive's briefings for all staff.</li> <li>• Chief Executive's Blog/Newsletter.</li> </ul> | <p>Codes of conduct</p> <p>Individual sign off with regard to compliance with code</p> <p>Induction for new members and staff on standard of behaviour expected</p> <p>Performance appraisals</p> |                     |

|  |  |   |   |  |
|--|--|---|---|--|
| Ensuring members take the lead in establishing specific standard operating principles or values for the organisation and its staff and that they are communicated and understood. These should build on the Seven Principles of Public Life (the Nolan Principles) | Governance                                       | <p>Member Code of Conduct is part of the Constitution.</p> <p>Organisational values (built on the Nolan Principles) are reflected throughout the Member's Code of Conduct and are embedded in Member and Officer behaviour.</p>   | Communicating shared values with members, staff, the community and partners   |  |
| Leading by example and using these standard operating principles or values as a framework for decision making and other actions  | Governance                                       | <p>Delegated decision making is a key component of the 3C's initiative which will create more positive and trusting relationships. Compliance with the Council's scheme of delegation and codes of conduct continues to be a fundamental part of the decision-making process.</p> <p>Members' declarations of interests are made at the start of each and every committee meeting and Members conduct at meetings is driven by the established Code of Conduct.</p> <p>The Authority has an established Standards Committee. Terms of reference are contained in the Constitution. The Committee meets as necessary to hear complaints, respond to consultations, set up and oversee training for Members and recommend changes to or adoption of Code of Conduct and Protocols. The Committee's minutes and recommendations are reported to Council.</p> | <p>Decision making practices</p> <p>Declarations of interests made at meetings</p> <p>Conduct at meetings</p> <p>Shared values guide decision making</p> <p>Develop and maintain an effective standards committee</p> |  |
| Demonstrating, communicating and embedding the standard operating principles or values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively  | Policy & Communications / Governance / Resources | <p>The Council has a Counter Fraud and Corruption policy and training is offered on an annual basis through the ethical governance training programme.</p> <p>A Register of Interests is maintained by Governance with material items from related party transactions reported within the statement of accounts.</p> <p>Procedures for the recording of Gifts and Hospitalities are in place and Members and officers are sent two reminders a year.</p> <p>There is a Confidential Reporting policy (whistle blowing) available</p>  | <p>Anti-fraud and corruption policies are working effectively</p> <p>Up-to-date register of interests (members and staff)</p> <p>Up-to-date register of gifts and hospitality</p> <p>Whistleblowing policies</p>      |  |

|  |  |   |   |  |
|--|--|---|---|--|
|  |  | <p>on the intranet.</p> <p>The Authority has a Corporate Complaints and Feedback Policy available on the website. Complaints have been part of the evidence base for service reviews, such as Parking Services.</p> <p>Dealing with conflicts of interest is incorporated into the Code of Conduct Processes in place and include:</p> <ul style="list-style-type: none"> <li>• The disclosure of “related party” transactions (annual submission).</li> <li>• “Notification of personal interests” (twice yearly reminder to all members).</li> <li>• Member’s declarations of interests are made at the start of each and every committee meeting. These are formally recorded in the minutes.</li> </ul> | <p>are in place and protect individuals raising concerns</p> <p>Whistleblowing policy has been made available to members of the public, employees, partners and contractors</p> <p>Complaints policy and examples of responding to complaints about behaviour</p> <p>Changes/improvements as a result of complaints received and acted upon</p> <p>Members and officers code of conduct refers to a requirement to declare interests</p> <p>Minutes show declarations of interest were sought and appropriate declarations made</p> |  |
|--|--|---|---|--|

| <b>A2 Demonstrating strong commitment to ethical values</b>                                     |                        |   |  |                     |
|---|------------------------|---|--|---------------------|
| <b>Details</b>  | <b>Responsibility</b>  | <b>Evidence provided</b>  | <b>Evidence</b>  | <b>Improvements</b> |
| Seeking to establish, monitor and maintain the organisation’s ethical standards and performance | Governance / Resources | <p>Code of Conduct and Constitution encourage the establishment of ethical standards and performance. An ethical governance training programme is in place, which provides training courses for both members and officers on ethical issues.</p> <p>During the year, the Council continued to develop and deliver its training schedule for both Members and officers to raise awareness of ethical governance issues across the Council, such as, for example, Procurement &amp; Contracts and Budgetary Control</p> | <p>Scrutiny of ethical decision making</p> <p>Championing ethical compliance at governing body level</p> |                     |

|  |  |   |   |  |
|--|--|---|---|--|
|  |  | <p>issues.</p> <p>Ethical implications of the decision making process are reviewed by the Monitoring Officer.</p>   |   |  |
| Underpinning personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation   | Governance                                 | An ethical governance training programme is in place which provides training courses for both members and officer on ethical issues   | Provision of ethical awareness training   |  |
| Developing and maintaining robust policies and procedures which place emphasis on agreed ethical values  | Governance / Corporate Support & Resources | <p>Employee appraisal process reviews individual contribution towards organisational objectives and culture (3 C's).</p> <p>Recruitment policies include guidance on equal opportunities and fairness and seek to achieve a transparent recruitment process.</p> <p>The Authority's Procurement policy (available online) includes guidance notes on ethical procurement.</p>   | <p>Appraisal processes take account of values and ethical behaviour</p> <p>Staff appointments policy</p> <p>Procurement policy</p>  |  |
| Ensuring that external providers of services on behalf of the organisation are required to act with integrity and in compliance with high ethical standards expected by the organisation | Governance / Corporate Support & Resources | <p>The Partnership Policy is available on the Council's intranet with detailed guidance notes for setting up a partnership. Appendix E of the Financial Procedure Rules offers further guidance on the monitoring of partnerships, which should be aligned to the Council's own ethical standards.</p> <p>Review of significant partnerships reported on a half yearly basis through ROSP which demonstrates how the Council's objectives and values are delivered through its partners.</p> <p>The Council has a Procurement and Commissioning Strategy that ensures best value is achieved (supported by the financial procedures and standing orders) whilst ensuring obligations to stakeholders are achieved through the setting out of clear social, economic and environmental responsibilities. This policy translates to the terms and conditions used in contracts with external providers.</p> | <p>Agreed values in partnership working:</p> <ul style="list-style-type: none"> <li>- Statement of business ethics communicates commitment to ethical values to external suppliers</li> <li>- Ethical values feature in contracts with external service providers</li> </ul> <p>Protocols for partnership working</p> |  |

| <b>A3 Respecting the rule of the law</b>   |  |  |  |                     |
|--|--|--|--|---------------------|
| <b>Details</b>   | <b>Responsibility</b>                      | <b>Evidence provided</b>   | <b>Evidence</b>  | <b>Improvements</b> |
| Ensuring members and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations   | Governance / Corporate Support & Resources | <p>All reports to Members include checks by the Monitoring Officer and the S151 Officer to ensure that legal and financial consequences of decisions have been considered.</p> <p>Similar representation at Officer working groups and legal representation and advice provided at Development Control, Regulatory and Licensing Committees.</p>   | <p>Statutory provisions</p> <p>Statutory guidance is followed</p> <p>Constitution</p>  |                     |
| Creating the conditions to ensure that the statutory officers, other key post holders and members are able to fulfil their responsibilities in accordance with legislative and regulatory requirements | Corporate Support & Resources              | <p>The Authority's Chief Finance Officer is the statutory Section 151 Officer. The role and responsibilities are outlined in the Constitution and is available on the Council's website.</p> <p>Job descriptions for all officers (statutory and other) are retained on the intranet, including the Chief Finance Officer and Corporate Director of Governance and Regulatory Services (Monitoring Officer).</p> <p>Compliance with the CIPFA Statement on the Role of the Chief Financial Officer in Local Government is reported through the annual governance statement which accompanies the annual statement of accounts.</p> <p>Terms of Reference are contained within the Council's Constitution for all regulatory committees</p> | <p>Job description/specification</p> <p>Compliance with CIPFA's <i>Statement on the Role of the Chief Financial Officer in Local Government</i> (CIPFA, 2015)</p> <p>Terms of reference</p> <p>Committee support</p> |                     |
| Striving to optimise the use of the full powers available for the benefit of citizens, communities and other stakeholders  | Governance                                 | <p>The Monitoring Officer provides legal comments in respect of all decisions made and remit includes a corporate monitoring brief. Advice is recorded in CMIS.</p>  | <p>Record of legal advice provided by officers</p>   |                     |
| Dealing with breaches of legal and regulatory provisions effectively   | Governance                                 | <p>The Authority's Corporate Director of Governance and Regulatory Services is the statutory Monitoring Officer. The role and responsibilities are outlined in the Constitution available on the Council's website. All advice, including legal is recorded and available online via the CMIS</p> <p>Job descriptions for all officers are retained on the intranet, including the Corporate Director of Governance and Regulatory</p>   | <p>Monitoring officer provisions</p> <p>Record of legal advice provided by officers</p> <p>Statutory provisions</p>  |                     |

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|  |  | Services.   |  |  |
| Ensuring corruption and misuse of power are dealt with effectively | Governance / Corporate Support & Resources | The Council has a Counter Fraud and Corruption policy and training is offered on an annual basis through the ethical governance training programme. | Effective anti-fraud and corruption policies and procedures<br><br>Local test of assurance (where appropriate) |  |

### Core Principle B: Ensuring openness and comprehensive stakeholder engagement

| B1 Openness  |                |   |  |              |
|--|----------------|---|--|--------------|
| Details  | Responsibility | Evidence provided   | Evidence   | Improvements |
| Ensuring an open culture through demonstrating, documenting and communicating the organisation's commitment to openness  | Governance     | <p>The City Council prepares an annual report recording progress made against the Carlisle plan priorities and performance standards.</p> <p>It ensures open and accessible services to the community through:</p> <ul style="list-style-type: none"> <li>• Constitution</li> <li>• Freedom of Information requests</li> <li>• Council Tax Leaflet</li> <li>• Website</li> <li>• Transparency Data Set</li> </ul>   | <p>Annual report</p> <p>Freedom of Information Act publication scheme</p> <p>Online council tax information</p> <p>Authority's goals and values</p> <p>Authority website</p> |              |
| Making decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. The presumption is for openness. If that is not the case, a justification for the reasoning for keeping a decision confidential should be provided | Governance     | <p>Delegated decision making is a key component of the 3 C's initiative, which will create more positive and trusting relationships. However, compliance with the Council's scheme of delegation continues to be a fundamental part of the decision making process.</p> <p>All executive decisions are subject to a full impact assessment from a financial, economic and legal perspective. In addition full option appraisals are included for all business cases for specific projects.</p> <p>All decisions are publically available via the Council's website unless justifiable reasoning provided.</p> | Record of decision making and supporting materials   |              |

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| Providing clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear | Organisational Development | <p>Leader Scheme of Delegation/Executive functions provide the basis for decision making.</p> <p>Available on the CMIS website :</p> <ul style="list-style-type: none"> <li>• Committee/Panel Agenda and Reports</li> <li>• Committee/Panel Minutes</li> <li>• Executive decisions</li> </ul> <p>All executive decisions are subject to a full impact assessment from a financial, economic and legal perspective. In addition full option appraisals are included for all business cases for specific projects.</p> <p>Executive's forward plan of key decisions is discussed and agreed by SMT and JMT.</p> <p>Civic Calendar is approved by full Council and sets out the reporting requirements for the forthcoming year. A detailed timetable sets out relevant timescales for appropriate officers.</p> | <p>Decision making protocols</p> <p>Report pro-formas</p> <p>Record of professional advice in reaching decisions</p> <p>Meeting reports show details of advice given</p> <p>Discussion between members and officers on the information needs of members to support decision making</p> <p>Agreement on the information that will be provided and timescales</p> <p>Calendar of dates for submitting, publishing and distributing timely reports is adhered to</p> |  |
| Using formal and informal consultation and engagement to determine the most appropriate and effective interventions/ courses of action   | Policy & Communications    | Communication Strategy in place that encourages feedback from all sections of local communities. The Council works closely with local groups to ensure communication and consultation needs are met.  | <p>Community strategy</p> <p>Use of consultation feedback</p> <p>Citizen survey</p>   |  |

| <b>B2 Engaging comprehensively with institutional stakeholders</b>                                       |                         |  |                        |                     |
|--|-------------------------|--|------------------------|---------------------|
| <b>Details</b>   | <b>Responsibility</b>   | <b>Evidence provided</b>   | <b>Evidence</b>        | <b>Improvements</b> |
| Effectively engaging with institutional stakeholders to ensure that the purpose, objectives and intended | Policy & Communications | <p>Communication Strategy in place.</p> <p>Carlisle Plan 2015- 18 is available on the Council's website.</p> | Communication strategy |                     |

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| outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and sustainably  |                               | Evidenced with Overview & Scrutiny panels and Listening Council events.<br><br>Biennial employee survey carried out to ensure employee feedback is received.                       |   |  |
| Developing formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively  | Policy & Communication        | Institutional stakeholders are informed through the Carlisle Partnership, a strategic partnership with local authorities, health, police, public agencies and the business sector. | Database of stakeholders with whom the authority should engage and for what purpose and a record of an assessment of the effectiveness of any changes |  |
| Ensuring that partnerships are based on: trust; a shared commitment to change; a culture that promotes and accepts challenge among partners; and that the added value of partnership working is explicit | Corporate Support & Resources | Partnership Policy is available on the Council's intranet.<br>Review of significant partnerships reported on a half yearly basis through ROSP.                                     | Partnership framework<br><br>Partnership protocols  |  |

| <b>B3 Engaging with individual citizens and service users effectively</b>   |                         |  |   |                                  |
|---|-------------------------|--|---|----------------------------------|
| <b>Details</b>  | <b>Responsibility</b>   | <b>Evidence provided</b>   | <b>Evidence</b>   | <b>Improvements</b>              |
| Establishing a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. | Policy & Communications | Communication Strategy in place that encourages feedback from all sections of local communities. The Council works closely with local groups to ensure communication and consultation needs are met.<br><br>The Council supports an active partnership of 80 organisations, Carlisle Partnership<br><br>Partnership Policy is available on the Council's intranet.<br>Review of significant partnerships reported on a half yearly basis through ROSP. | Record of public consultations<br><br>Partnership framework |                                  |
| Ensuring that communication methods are effective and that members and officers are clear   | Policy & Communications | The Council has a Communications Strategy, which seeks high quality, open, timely and relevant communication.  | Communications strategy                                     | A revised Statement of Community |

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| about their roles with regard to community engagement   |                                    |   |   | Involvement for planning has been developed for adoption in 2017/18. |
| Encouraging, collecting and evaluating the views and experiences of communities, citizens, service users and organisations of different backgrounds including reference to future needs | Policy & Communications            | The Council has a Communications Strategy. The Council works closely with local groups to ensure communication and consultation needs are met.<br><br>Future needs are assessed jointly through the joint strategic needs assessment. The service planning template for 2017/18 also included a section on future demand for the service. | Communications strategy<br><br>Joint strategic needs assessment                               |  |
| Implementing effective feedback mechanisms in order to demonstrate how their views have been taken into account   | Policy & Communications            | The Council has a Communications Strategy. The Council works closely with local groups to ensure communication and consultation needs are met.  | Communications strategy   |  |
| Balancing feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity  | Policy & Communications            | Public Sector Equality Duty objectives have been published and an action plan is in place.  | Processes for dealing with competing demands within the community, for example a consultation |  |
| Taking account of the interests of future generations of tax payers and service users   | <b>Policy &amp; Communications</b> | The service planning template for 2017/18 also included a section on future demand for the service.<br><br>The forthcoming changes in local authority funding (2020) in terms of the impact on Business Rates are being assessed by the Economic Development Board.   | Reports<br><br>Joint strategic needs assessment   |  |

**Core Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.**

| <b>C1 Defining Outcomes</b>  |                         |  |   |                     |
|--|-------------------------|--|---|---------------------|
| <b>Details</b>   | <b>Responsibility</b>   | <b>Evidence provided</b>   | <b>Evidence</b>   | <b>Improvements</b> |
| Having a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing | Policy & Communications | Carlisle Plan 2015- 18 is available on the Council's website.<br><br>Evidenced with Overview & Scrutiny panels and Listening Council events. | Vision used as a basis for corporate and service planning |                     |

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| appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions                                   |  | Biennial employee survey carried out to ensure employee feedback is received.  |  |  |
| Specifying the intended impact on, or changes for, stakeholders including citizens and service users. It could be immediately or over the course of a year or longer | Policy & Communications                  | Communication Strategy in place that encourages feedback from all sections of local communities. The Council works closely with local groups to ensure communication and consultation needs are met.<br><br>Directorate Service Plans are prepared in line with the Carlisle Plan and are monitored by each individual Director.   | Community engagement and involvement<br><br>Corporate and service plans<br><br>Community strategy  |  |
| Delivering defined outcomes on a sustainable basis within the resources that will be available   | Policy & Communications                  | Service delivery and performance trends reported through quarterly performance reports. Financial implications and impact on service delivery reported through the quarterly budget monitoring reports.  | Regular reports on progress  |  |
| Identifying and managing risks to the achievement of outcomes  | Corporate Support & Resources            | Service delivery and performance trends reported through quarterly performance reports<br>The Council also undertakes a continuous review of its risk-management responsibilities by ensuring that each Directorate maintains an up-to-date Operational Risk Register. Any risks that are considered to affect the Council as a whole are incorporated into the Corporate Risk Register (CRR). This is reviewed and updated by the Corporate Risk Management Group that meets on a regular basis | Performance trends are established and reported upon<br><br>Risk management protocols  |  |
| Managing service users expectations effectively with regard to determining priorities and making the best use of the resources available                             | Resources<br><br>Policy & Communications | Six Service Standards are monitored through the quarterly performance reports.<br>Public Sector Equality Duty objectives have been published and an action plan is in place.   | An agreed set of quality standard measures for each service element and included in service plans<br><br>Processes for dealing with competing demands within the community |  |

| <b>C2 Sustainable economic, social and environmental benefits</b>  |   |   |  |                     |
|--|---|---|--|---------------------|
| <b>Details</b>   | <b>Responsibility</b>                       | <b>Evidence provided</b>  | <b>Evidence</b>  | <b>Improvements</b> |
| Considering and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision  | Corporate Support & Resources               | Capital Strategy in place 2017/18-2021/22, focused on future use, with links to the Medium Term Financial Plan.   | Capital investment is structured to achieve appropriate life spans and adaptability for future use or that resources (e.g. land) are spent on optimising social, economic and environmental wellbeing:<br>- Capital programme<br>- Capital investment strategy |                     |
| Taking a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints | Governance / Corporate Support & ~Resources | Executive's forward plan of key decisions is discussed and agreed by SMT and JMT.<br><br>Leader Scheme of Delegation/Executive functions provide the basis for decision making.<br><br>Available on the CMIS website :<br><ul style="list-style-type: none"> <li>• Committee/Panel Agenda and Reports</li> <li>• Committee/Panel Minutes</li> <li>• Executive decisions</li> </ul><br>Advice is sought from Finance and Legal Services before any decision is made. | Discussion between members and officers on the information needs of members to support decision making<br><br>Record of decision making and supporting materials   |                     |
| Determining the wider public interest associated with balancing conflicting interests between achieving the various economic, social and   | Governance                                  | Leader Scheme of Delegation/Executive functions provide the basis for decision making.<br><br>Available on the CMIS website :<br><ul style="list-style-type: none"> <li>• Committee/Panel Agenda and Reports</li> </ul>   | Record of decision making and supporting materials<br><br>Protocols for  |                     |

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| environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs |  | <ul style="list-style-type: none"> <li>Committee/Panel Minutes</li> <li>Executive decisions</li> </ul> <p>Advice is sought from Finance and Legal Services before any decision is made.</p> <p>A Budget and Policy framework exists, which sets out the Governance arrangements for the authority's policies, plans and strategies. The framework can be found in the Constitution and details the approval process, including statutory consultation requirements, which officers and the Council must adhere to.</p> <p>Where necessary individual consultation protocols are established for specific projects</p> | consultation  |  |
| Ensuring fair access to services   |  | Annual equality plan prepared that includes numerous equality objective actions designed to ensure people have appropriate access to the services they need.  | Protocols ensure fair access and statutory guidance is followed |  |

**Core Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes**

| <b>D1 Determining interventions</b>  |                       |  |  |                 |
|--|-----------------------|--|--|-----------------|
| <b>Details</b>   | <b>Responsibility</b> | <b>Evidence provided</b>   | <b>Evidence/Action required</b>  |                 |
| Ensuring decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. Therefore ensuring best value is achieved however services are provided | Governance            | <p>Leader Scheme of Delegation/Executive functions provide the basis for decision making</p> <p>Executive's forward plan of key decisions is discussed and agreed by SMT and JMT.</p> <p>All executive decisions are subject to a full impact assessment from a financial, economic and legal perspective. In addition full option appraisals are included for all business cases for specific projects.</p> | <p>Discussion between members and officers on the information needs of members to support decision making</p> <p>Decision making protocols</p> <p>Option appraisals</p> <p>Agreement of information that will be provided and timescales</p> |                 |
| Considering feedback from  | Corporate Support     | The Council has a Medium Term Financial Planning process   | Financial strategy   | 2017/18 Service |

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| citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts | and Resources | <p>(MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The 2017/18 service plans are linked into the budget process.</p> <p>There is an annual budget consultation involving the public, local businesses, staff and the trade Unions. Further stakeholder engagement with the public is achieved through media such as the Carlisle Focus magazine and other online surveys. The Council also engages with its institutional stakeholders through the Carlisle Partnership, a strategic partnership with local authorities, health, police, public agencies and the business sector.</p> |  | Planning processes will feed into budget process for 2018/19. |
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| <b>D2 Planning interventions</b>   |  |   |   |   |
|--|--|---|---|---|
| <b>Details</b>   | <b>Responsibility</b>                        | <b>Evidence provided</b>  | <b>Evidence</b>   | <b>Improvements</b>   |
| Establishing and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets      | Governance                                   | Civic Calendar is approved by full Council and sets out the reporting requirements for the forthcoming year. A detailed timetable sets out relevant timescales for appropriate officers.  | Calendar of dates for developing and submitting plans and reports that are adhered to |   |
| Engaging with internal and external stakeholders in determining how services and other courses of action should be planned and delivered | Policy and Performance                       | Communication Strategy in place that encourages feedback from all sections of local communities. The Council works closely with local groups to ensure communication and consultation needs are met.  | Communication strategy  |   |
| Considering and monitoring risks facing each partner when working collaboratively including shared risks                                 | Corporate Support and Resources / Governance | The Partnership Policy is available on the Council's intranet with detailed guidance notes for setting up a partnership<br>The Council has a Risk Management strategy and policy available on the website and is managed and monitored through the Corporate Risk Management group. The corporate Risk Register is updated by the group and reported through ROSP and the Audit Committee. The protocol and key controls of Risk Management are contained within the Financial Procedure Rules. | Partnership framework<br><br>Risk management protocol                                 | The Council's Corporate Risks are reviewed to make sure they support Carlisle Plan outcomes. The review also assesses opportunity risk. |
| Ensuring arrangements are flexible and agile so that the mechanisms for delivering   | Council-wide                                 | There are forward planning protocols in place for all key decisions, which are presented at Senior Management Team and Joint Management Team.   | Planning protocols  |   |

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| outputs can be adapted to changing circumstances   |                               |   |   |  |
| Establishing appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured | Policy and Performance        | <p>Six Service Standards are monitored through the quarterly performance reports. Revised service standards are being assessed in meeting Carlisle Plan outcomes.</p> <p>Directorate Service Plans are prepared in line with the Carlisle Plan and are monitored by each individual Director. Financial implications and impact on service delivery reported through the quarterly budget monitoring reports.</p>   | KPIs have been established and approved for each service element and included in the service plan and are reported upon regularly |  |
| Ensuring capacity exists to generate the information required to review service quality regularly  | Policy and Performance        | Directorate Service Plans are prepared in line with the Carlisle Plan and are monitored by each individual Director. Financial implications and impact on service delivery reported through the quarterly budget monitoring reports.  | Reports include detailed performance results and highlight areas where corrective action is necessary                             |  |
| Preparing budgets in accordance with organisational objectives, strategies and the medium term financial plan  | Corporate Support & Resources | The Council has a Medium Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities.  | Evidence that budgets, plans and objectives are aligned   |  |
| Informing medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy       | Corporate Support & Resources | <p>The Council has a Medium Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities.</p> <p>Regular meetings are held with identified budget managers from which budget-monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and ROSP. The Council is committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring.</p> | <p>Budget guidance and protocols</p> <p>Medium term financial plan</p> <p>Corporate plans</p>                                     |  |

| <b>D3 Optimising achievement of intended outcomes</b>  |                               |   |  |                     |
|--|-------------------------------|---|--|---------------------|
| <b>Details</b>   | <b>Responsibility</b>         | <b>Evidence provided</b>  | <b>Evidence</b>                            | <b>Improvements</b> |
| Ensuring the medium term financial strategy integrates | Corporate Support & Resources | The Council has a Medium Term Financial Planning process (MTFP) which integrates budget and corporate planning to match | Feedback surveys and exit/ decommissioning |                     |

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| and balances service priorities, affordability and other resource constraints   |                               | resources to the corporate priorities.<br><br>Stakeholder engagement with the public is achieved through media such as the Carlisle Focus magazine and other online surveys. The Council also engages with its institutional stakeholders through the Carlisle Partnership, a strategic partnership with local authorities, health, police, public agencies and the business sector | strategies<br><br>Changes as a result  |   |
| Ensuring the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term  | Corporate Support & Resources | The Council has a Medium Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities.<br><br>Regular meetings are held with identified budget managers from which budget-monitoring reports are prepared for both Capital and Revenue expenditure and considered by the Executive and ROSP.                | Budgeting guidance and protocols   | The Council is committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring. |
| Ensuring the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage | Corporate Support & Resources | The Council has a Medium Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities.  | Financial strategy   |   |
| Ensuring the achievement of 'social value' through service planning and commissioning. The Public Services (Social Value) Act 2012 states that this is "the additional benefit to the community...over and above the direct purchasing of   |                               | The Council has a Procurement and Commissioning Strategy that ensures best value is achieved (supported by the financial procedures and standing orders) whilst ensuring obligations to stakeholders are achieved through the setting out of clear social, economic and environmental responsibilities.   | Service plans demonstrate consideration of 'social value'.<br>Achievement of 'social value' is monitored and reported upon | To feed into Service Planning process for 2018/19.  |

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| goods, services and outcomes” |  |  |  |  |
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**Core Principle E: Developing the entities capacity, including the capacity of its leadership and the individuals within it.**

| <b>E1 Developing the entity's capacity</b>  |                               |   |   |                     |
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| <b>Details</b>  | <b>Responsibility</b>         | <b>Evidence provided</b>  | <b>Evidence</b>   | <b>Improvements</b> |
| Reviewing operations, performance use of assets on a regular basis to ensure their continuing effectiveness   | Policy & Performance          | The Council's vision is proposed by the Executive as part of the Carlisle Plan ("the Plan") which is debated and agreed by full Council. This vision is then communicated through the Carlisle Plan itself, which is a working document for staff and members. An annual report will communicate the outcomes and performance of the Plan to residents and the end of year performance presenting the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan was updated in 2015/16 to better reflect the Executive's current priorities and the plan for 2015-2018 was adopted by full Council in November 2015.  | Regular reviews of activities, outputs and planned outcomes       |                     |
| Improving resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently | Corporate Support & Resources | Value for Money benchmarking exercises are undertaken across high cost (in benchmark terms) service areas on an annual basis. The cost and performance of our services are compared with other authorities both locally (Cumbria wide) and nationally, using historic cities and nearest neighbour's profiles.<br><br>These profiles and benchmarks are used to inform Senior Managers and Members of service areas, which should be targeted for further challenge and improvement review. External auditors undertake an annual VFM assessment using benchmarking and profiling tools which is reported through the Audit committee. This is used to support further service reviews and areas for improvement. | Utilisation of research and benchmarking exercise                 |                     |
| Recognising the benefits of partnerships and collaborative working where added value can be achieved  | Corporate Support & Resources | The Partnership Policy is available on the Council's intranet with detailed guidance notes for setting up a partnership.<br><br>The role Members have in partnerships is laid down in the Constitution with further guidance on the key controls contained  | Effective operation of partnerships which deliver agreed outcomes |                     |

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|   |  | within the Financial Procedure rules (Appendix E).<br>Review of significant partnerships reported on a half yearly basis through ROSP.              |   |   |
| Developing and maintaining an effective workforce plan to enhance the strategic allocation of resources |  | There are many HR policies in place but no overarching Workforce Development Plan. An organisational development plan is in place to cover 2015-17. | Workforce plan<br><br>Organisational development plan | Workforce Plan in development for 2017/18 |

| <b>E2 Developing the capability of the entity's leadership and other individuals</b>  |                       |  |   |                     |
|---|-----------------------|--|---|---------------------|
| <b>Details</b>  | <b>Responsibility</b> | <b>Evidence provided</b>   | <b>Evidence</b>   | <b>Improvements</b> |
| Developing protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained | Governance            | Roles and responsibilities are clearly defined in the Council's Constitution. The Chief Executive is responsible for operational management leadership, whereas, the Leader is responsible for political leadership.<br>Regular meetings take place between the Leader and the Chief Executive, with JMT meeting on a monthly basis. | Job descriptions<br><br>Chief executive and leader pairings have considered how best to establish and maintain effective communication  |                     |
| Publishing a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body   | Governance            | The Scheme of Delegation is contained in the Authority's Constitution which is available on the Council's website and the Intranet.<br><br>The Scheme of Delegation and standing orders/ financial regulations are reviewed regularly and reported through the appropriate committee.  | Scheme of delegation reviewed at least annually in the light of legal and organisational changes<br><br>Standing orders and financial regulations which are reviewed on a regular basis |                     |
| Ensuring the leader and the chief executive have clearly defined and distinctive leadership roles within a structure whereby the chief executive leads the authority in   | Governance            | The roles and responsibilities are set out in the Council's Constitution which is published on the Council's website.<br>Member/officer protocols are set out in both the Member & Officer Code of Conduct.<br><br>Job descriptions for all officers are retained on the intranet.   | Clear statement of respective roles and responsibilities and how they will be put into practice   |                     |

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|--|------------|---|--|--|
| implementing strategy and managing the delivery of services and other outputs set by members and each provides a check and a balance for each other's authority  |            | Role Descriptor's for Members are included within the Council's Constitution.   |  |  |
| <p>Developing the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks by:</p> <ul style="list-style-type: none"> <li>- Ensuring members and staff have access to appropriate induction tailored to their role and that ongoing training and development matching individual and organisational requirements is available and encouraged</li> <li>- Ensuring members and officers have the appropriate skills, knowledge, resources and support to fulfil their roles and responsibilities and ensuring that they are able to update their knowledge on a continuing basis</li> <li>- Ensuring personal, organisational and system-wide development through shared learning, including</li> </ul> | Governance | <p>There is a training and development plan for both members and officers.</p> <p>Member Training - tailored induction programme for Members.</p> <p>Officers undergo a 6 month induction programme. The Council has robust annual appraisal arrangements in place which are monitored through the new project server software, the Council's Performance Management system.</p> <p>An ethical governance training programme is in place which provides training courses for both members and officer on ethical issues.</p> <p>There is no corporate succession planning, but managers are responsible for appropriate planning in their respective departments.</p> | <p>Access to update courses/information briefings on new legislation</p> <p>Induction Programme</p> <p>Personal development plans for members and officers</p> <p>For example, for members this may include the ability to</p> <ul style="list-style-type: none"> <li>- scrutinise and challenge</li> <li>- recognise when outside expert advice is required</li> <li>- promote trust</li> <li>- work in partnership</li> <li>- lead the organisation</li> <li>- act as a community leader</li> </ul> <p>Efficient systems and technology used for effective support</p> <p>Arrangements for succession planning</p> |  |

|   |                               |   |   |  |
|---|-------------------------------|---|---|--|
| lessons learnt from governance weaknesses both internal and external  |                               |   |   |  |
| Ensuring that there are structures in place to encourage public participation   | Policy and Performance        | <p>Community Empowerment see 2.3.4 above</p> <p>Consultation and feedback in the residents' magazine 'Carlisle Focus' published twice a year on the web.</p> <p>New Residents Panel structure in place for service reviews.</p> <p>Third Sector Network (TSN) is now used in place of the Consortium Agreement.</p> | <p>Residents' panels</p> <p>Stakeholder forum terms of reference</p> <p>Strategic partnership frameworks</p>  |  |
| Taking steps to consider the leadership's own effectiveness and ensuring leaders are open to constructive feedback from peer review and inspections                     | Governance                    | Any training or development needs, or performance issues would be identified through the Member learning & Development working group.   | <p>Reviewing individual member performance on a regular basis taking account of their attendance and considering any training or development needs</p> <p>Peer reviews</p>                      |  |
| Holding staff to account through regular performance reviews which take account of training or development needs  | Organisational Development    | <p>There is a training and development plan for both members and officers. The annual Appraisal scheme is deemed to be the performance review of officers.</p> <p>Member Training - Tailored induction programme for Members.</p> <p>Officers undergo a 6 month induction programme and an annual appraisal.</p>    | <p>Training and development plan</p> <p>Staff development plans linked to appraisals</p> <p>Implementing appropriate human resource policies and ensuring that they are working effectively</p> |  |
| Ensuring arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing | Corporate Support & Resources | <p>Employee wellbeing programme in place including employee Assistance programme, occupational health service and Counselling.</p> <p>The Council is working towards achieving as Better Health at Work Award and there is an employee well-being programme in</p>  | Human resource policies   |  |

|  |  |   |  |  |
|--|--|---|--|--|
|  |  | place, incorporating an employee assistance programme, occupational health and counselling services to all officers of the Council. Regular health checks are offered to staff through health and wellbeing days, lunchtime learning sessions and access to Occupational Health nurses. |  |  |
|--|--|---|--|--|

**Core Principle F: Managing risks and performance through robust internal control and strong public financial management**

| <b>F1 Managing Risk</b>   |                               |   |  |                     |
|---|-------------------------------|---|--|---------------------|
| <b>Details</b>  | <b>Responsibility</b>         | <b>Evidence provided</b>  | <b>Evidence</b>  | <b>Improvements</b> |
| Recognising that risk management is an integral part of all activities and must be considered in all aspects of decision making | Corporate Support & Resources | The Council has a Risk Management strategy and policy available on the website and is managed and monitored through the Corporate Risk Management group. The corporate Risk Register is updated by the group and reported through ROSP and the Audit Committee. The protocol and key controls of Risk Management are contained within the Financial Procedure Rules. The Council's Corporate Risks are being reviewed to make sure they support Carlisle Plan outcomes. The review also assesses opportunity risk.<br><br>Projects are managed following Prince 2 methodology including management of risk. | Risk management protocol   |                     |
| Implementing robust and integrated risk management arrangements and ensuring that they are working effectively                  | Corporate Support & Resources | The Council has a Risk Management strategy and policy available on the website and is managed and monitored through the Corporate Risk Management group. The corporate Risk Register is updated by the group and reported through ROSP and the Audit Committee. The protocol and key controls of Risk Management are contained within the Financial Procedure Rules. The Council's Corporate Risks are being reviewed to make sure they support Carlisle Plan outcomes. The review also assesses opportunity risk.<br><br>Projects are managed following Prince 2 methodology including management of risk. | Risk management strategy/ policy formally approved and adopted and reviewed and updated on a regular basis |                     |
| Ensuring that responsibilities for managing individual risks are clearly allocated  | Corporate Support & Resources | Risk ownership clear aspect of risk management strategy (see risk template).  | Risk management protocol   |                     |

| <b>F2 Managing performance</b>  |                       |   |  |                     |
|---|-----------------------|---|--|---------------------|
| <b>Details</b>  | <b>Responsibility</b> | <b>Evidence provided</b>  | <b>Evidence</b>  | <b>Improvements</b> |
| Monitoring service delivery effectively including planning, specification, execution and independent post implementation review   | Governance            | <p>The Six Service Standards are monitored through the quarterly performance reports. Revised service standards are being assessed in meeting Carlisle Plan outcomes.</p> <p>RO form data is used to benchmark the financial performance of the Council against other local authorities (usually those in the historic cities grouping or nearest neighbour grouping). This then flags up potential areas for review where the Council's may be outside the average for the group.</p> <p>Regular budget monitoring is reported to SMT and Executive to demonstrate that budgets are being spent correctly. The quarterly reports to Executive are also scrutinised by Resources Overview and Scrutiny Panel.</p> | <p>Performance map showing all key activities have performance measures</p> <p>Benchmarking information</p> <p>Cost performance (using inputs and outputs)</p> <p>Calendar of dates for submitting, publishing and distributing timely reports that are adhered to</p> |                     |
| Making decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook | Governance            | <p>Executive's forward plan of key decisions is discussed and agreed by SMT and JMT.</p> <p>Civic Calendar is approved by full Council and sets out the reporting requirements for the forthcoming year. A detailed timetable sets out relevant timescales for appropriate officers.</p> <p>Meeting agendas and minutes publicised in line with agreed process and timescales.</p> <p>All reports to Committee/Panel have standard paragraphs to ensure both Legal and Financial comments are included.</p>   | <p>Discussion between members and officers on the information needs of members to support decision making</p> <p>Publication of agendas and minutes of meetings</p> <p>Agreement on the information that will be needed and timescales</p>                             |                     |
| Ensuring an effective scrutiny or oversight function is in place which encourages constructive  | Governance            | The Council has adopted a strong Leader model which includes an Executive and several Overview & Scrutiny panels. The role of the Scrutiny Panels is outlined in the Constitution. This enables them to   | The role and responsibility for scrutiny has been  |                     |

|   |                               |  |  |  |
|---|-------------------------------|--|--|--|
| challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible<br>(OR, for a committee system)<br>Encouraging effective and constructive challenge and debate on policies and objectives to support balanced and effective decision making |                               | <p>scrutinise and call-in decisions of the Executive. All call-in decisions are publicly available on CMIS.</p> <p>Another independent appraisal function exists in the form of Internal Audit services. This was provided for 2016/17 through a shared service arrangement with Cumbria County Council (in-house from 2017/18). The Internal Audit function is in line with the Accounts and Audit Regulations 2011.</p> <p>An ethical governance training programme is in place which provides training courses for both members and officer on ethical issues</p> | <p>established and is clear</p> <p>Agenda and minutes of scrutiny meetings</p> <p>Evidence of improvements as a result of scrutiny</p> <p>Terms of reference</p> <p>Training for members</p> <p>Membership</p> |  |
| Providing members and senior management with regular reports on service delivery plans and on progress towards outcome achievement  | Governance                    | Civic Calendar is approved by full Council and sets out the reporting requirements for the forthcoming year. A detailed timetable sets out relevant timescales for appropriate officers.   | Calendar of dates for submitting, publishing and distributing timely reports that are adhered to   |  |
| Ensuring there is consistency between specification stages (such as budgets) and post implementation reporting (eg financial statements )   | Corporate Support & Resources | Standing orders, financial regulations are contained within the Council's Constitution and subject to a review on a regular basis.   | <p>Financial standards, guidance</p> <p>Financial regulations and standing orders</p>  |  |

| <b>F3 Robust Internal Control</b>  |                               |  |  |                     |
|--|-------------------------------|--|--|---------------------|
| <b>Details</b>   | <b>Responsibility</b>         | <b>Evidence provided</b>   | <b>Evidence</b>  | <b>Improvements</b> |
| Aligning the risk management strategy and policies on internal control with achieving the objectives | Corporate Support & Resources | The Council has a Risk Management strategy and policy available on the website and is managed and monitored through the Corporate Risk Management group. The corporate Risk Register is updated by the group and reported through ROSP and the Audit Committee. The protocol and key controls of Risk Management are contained within the Financial Procedure Rules. The Council's Corporate Risks are being reviewed to make sure they support Carlisle Plan outcomes. The review also assesses opportunity risk. | <p>Risk management strategy</p> <p>Audit plan</p> <p>Audit reports</p> |                     |

|   |                               |   |  |  |
|---|-------------------------------|---|--|--|
|   |                               | <p>Projects are managed following Prince 2 methodology including management of risk.</p> <p>Risk based internal audit plan prepared on an annual basis and approved by Audit Committee.</p> <p>Audit reports are prepared using agreed risk-based audit methodology.</p>  |  |  |
| Evaluating and monitoring the authority's risk management and internal control on a regular basis   | Corporate Support & Resources | <p>The Council has a Risk Management strategy and policy available on the website and is managed and monitored through the Corporate Risk Management group. The corporate Risk Register is updated by the group and reported through ROSP and the Audit Committee. The protocol and key controls of Risk Management are contained within the Financial Procedure Rules. The Council's Corporate Risks are being reviewed to make sure they support Carlisle Plan outcomes. The review also assesses opportunity risk.</p> <p>Annual audit opinion based on Internal Audit activity prepared by internal audit service and presented to Audit committee.</p> | Risk management strategy/ policy has been formally approved and adopted and is reviewed and updated on a regular basis |  |
| Ensuring effective counter fraud and anti-corruption arrangements are in place  | Corporate Support & Resources | The Council has a Counter Fraud and Corruption policy and training is offered on an annual basis through the ethical governance training programme.   | Compliance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)                        |  |
| Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor | Corporate Support & Resources | Annual audit opinion based on Internal Audit activity prepared by internal audit service and presented to Audit committee.  | <p>Annual governance statement</p> <p>Effective internal audit service is resourced and maintained</p>                 |  |
| Ensuring an audit committee or equivalent group or function which is independent of the executive and accountable to the governing body: provides a further source of   | Governance                    | <p>The Audit Committee was set up on 22<sup>nd</sup> May 2006. The Committee is fully functioning and training needs are reviewed on an ongoing basis.</p> <p>All Agendas, papers and Minutes for the Audit Committee are</p>   | Audit committee complies with best practice. See Audit Committees: Practical Guidance                                  |  |

|   |  |  |  |  |
|---|--|--|--|--|
| effective assurance regarding arrangements for managing risk and maintaining an effective control environment that its recommendations are listened to and acted upon |  | available on the website.<br>The Audit Committee's "Rules of Governance" are outlined in the Constitution. | for Local Authorities and Police (CIPFA, 2013)<br><br>Terms of reference<br><br>Membership<br><br>Training |  |
|---|--|--|--|--|

| <b>F4 Managing Data</b>  |                        |  |   |  |
|--|------------------------|--|---|--|
| <b>Details</b>   | <b>Responsibility</b>  | <b>Evidence provided</b>   | <b>Evidence</b>   | <b>Improvements</b>  |
| Ensuring effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data | Policy and Performance | Record retention guidance available as part of financial procedure rules.<br><br>Corporate Records Management in place from October 2016, though improvements identified as part of Audit Review.<br><br>Designated data protection officer in place until September 2016, with new post to be recruited in 2017/18. | Data management framework and procedures<br><br>Designated data protection officer<br><br>Data protection policies and procedures | Further development of the Records Management Policy and Framework due to be undertaken in 2017/18 |
| Ensuring effective arrangements are in place and operating effectively when sharing data with other bodies   |                        | Record retention guidance available as part of financial procedure rules.<br><br>Corporate Records Management in place from October 2016, though improvements identified as part of Audit Review.  | Data sharing agreement<br><br>Data sharing register<br><br>Data processing agreements   | Further development of the Records Management Policy and Framework due to be undertaken in 2017/18 |
| Reviewing and auditing regularly the quality and accuracy of data used in decision making and performance monitoring                                   |                        | Data Quality Policy in place.<br><br>An audit review confirmed that data quality checks on quarterly service standard data were last undertaken by the Policy and Performance Team in October 2016 and as a result of these checks, recommendations for improvement were reported to Service Managers.               | Data quality procedures and reports<br><br>Data validation procedures   | Further development of the RM Policy and Framework due to be undertaken in 2017/18                 |

| F5 Strong public financial management  |                               |  |   |  |
|--|-------------------------------|--|---|--|
| Details  | Responsibility                | Evidence provided  | Evidence/Action required  |  |
| Ensuring financial management supports both long term achievement of outcomes and short-term financial and operational performance                     | Corporate Support & Resources | <p>The Council has a duty to comply the key principles contained within the revised CIPFA statement of the '<i>Role of the Chief Financial Officer in Local Government</i>' and during 2016/17 the Council continued to comply with 5 key principles of the CIPFA statement.</p> <p>The Council's Chief Finance Officer; is a qualified accountant and is a key member of both Senior Management Team (SMT) and Joint Management Team (JMT) and as such, has direct access to the Chief Executive. She leads and directs an adequately resourced, fit for purpose, finance function, comprising of 14 officers, who support her in the proper administration of the Council's financial affairs, including leading the promotion and delivery of good financial management to safeguard public money at all times; to ensure the effective, efficient and economic use of resources; and to ensure that the short and long term implications of all material business decisions are fully considered and aligned to the Council's Medium Term Financial Plan.</p> <p>The main controls for financial management are set out in the Constitution – these are the Budget and Policy Framework and the Financial Procedure Rules. These cover the arrangements for Financial Management, Financial Planning, Risk Management and Control of Resources, Financial Systems and Procedures and External arrangements. The Council also complies with the Prudential Framework for Local Authority Finance.</p> | Financial management supports the delivery of services and transformational change as well as securing good stewardship |  |
| Ensuring well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls | Corporate Support & Resources | Financial implications and impact on service delivery reported through the quarterly budget monitoring reports.  | Budget monitoring reports   |  |

#### Core Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

#### G1 Implementing good practice in transparency

| Details   | Responsibility | Evidence provided  | Evidence                 | Improvements |
|---|----------------|--|--------------------------|--------------|
| Writing and communicating reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate   | Governance     | An annual report will communicate the outcomes and performance of the Plan to residents and the end of year performance presenting the key outcomes to the Executive and Overview & Scrutiny Panels. | Website<br>Annual report |              |
| Striking a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand |                | Council dedicated to adhering to the Local Government Transparency Code.   |                          |              |

| G2 Implementing good practices in reporting  |                               |   |  |              |
|--|-------------------------------|---|--|--------------|
| Details  | Responsibility                | Evidence provided   | Evidence   | Improvements |
| Reporting at least annually on performance, value for money and the stewardship of its resources   | Corporate Support & Resources | The following publications are available on the Council's website: <ul style="list-style-type: none"> <li>• Carlisle Plan</li> <li>• Statement of Accounts</li> <li>• Council Tax Leaflet</li> <li>• External auditors Summary of Findings report</li> <li>• Quarterly performance reports</li> <li>• Medium Term Financial Plan</li> </ul> | Formal annual report which includes key points raised by external scrutineers and service users' feedback on service delivery<br><br>Annual financial statements |              |
| Ensuring members and senior management own the results   |                               | Officers responsible for documented resolutions and recommendations, which are then subject to member approval.   | Appropriate approvals  |              |
| Ensuring robust arrangements for assessing the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action | Corporate Support & Resources | Annual governance statement prepared annually including opinion by internal audit service on controls in place. Annual Governance Statement presented to Audit committee.   | Annual governance statement  |              |

|  |                               |   |                              |  |
|--|-------------------------------|---|------------------------------|--|
| plan for improvement and evidence to demonstrate good governance (annual governance statement)   |                               |   |                              |  |
| Ensuring that the Framework is applied to jointly managed or shared service organisations as appropriate   | Corporate Support & Resources | Annual governance statement prepared annually including opinion by internal audit service on controls in place. Annual Governance Statement presented to Audit committee. | Annual governance statement  |  |
| Ensuring the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar organisations | Corporate Support & Resources | Accounts are prepared in accordance with best practice and Council's own reporting mechanisms.  | Format follows best practice |  |

| <b>G3 Assurance and effective accountability</b>   |                               |  |   |                     |
|--|-------------------------------|--|---|---------------------|
| <b>Details</b>   | <b>Responsibility</b>         | <b>Evidence provided</b>   | <b>Evidence</b>   | <b>Improvements</b> |
| <p>Ensuring that recommendations for corrective action made by external audit are acted upon.</p> <p>Ensuring an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon</p> | Corporate Support & Resources | <p>External Audit comments and recommendations incorporated into review of governance framework.</p> <p>Internal Audit service report to Audit and Assurance Committee on a quarterly basis, and have direct access to committee.</p> <p>An annual audit opinion is provided to the Audit Committee based on the work undertaken by Internal Audit during the year based on the agreed risk based audit plan which includes a wide range of council operations along with risk management, internal control and governance considerations.</p> <p>Compliance with PSIAS monitored by Internal Audit and measured on an annual basis.</p> | <p>Recommendations have informed positive improvement</p> <p>Compliance with CIPFA's Statement on the Role of the Head of Internal Audit (2010)</p> <p>Compliance with Public Sector Internal Audit Standards</p> |                     |
| Welcoming peer challenge, reviews and inspections from regulatory bodies and implementing recommendations  | Cross-cutting                 | External Lexcel accreditation scheme awarded from the Law Society. Inspection in respect of the DFG process undertaken. Positive outcomes delivered following the Cultural Review.   | Recommendations have informed positive improvement  |                     |

|  |                               |  |                             |  |
|--|-------------------------------|--|-----------------------------|--|
|  |                               |  |                             |  |
| Gaining assurance on risks associated with delivering services through third parties and that this is evidenced in the annual governance statement                 | Corporate Support & Resources | Annual governance statement includes section covering good governance in respect of partnerships.  | Annual governance statement |  |
| Ensuring that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met |                               | <p>Carlisle Plan and Partnership Strategy contain clearly defined roles and responsibilities.</p> <p>The Council has a Procurement and Commissioning Strategy that ensures best value is achieved (supported by the financial procedures and standing orders) whilst ensuring obligations to stakeholders are achieved through the setting out of clear social, economic and environmental responsibilities.</p> | Community strategy          |  |



# Report to Audit Committee

Agenda  
Item:

**A.4**

Meeting Date: 27 September 2017  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: INTERNAL AUDIT PROGRESS QUARTER 2 – 2017/18  
Report of: CHIEF FINANCE OFFICER  
Report Number: RD21/17

## Purpose / Summary:

This report provides an overview of the work carried out by internal audit in the second quarter of 2017/18. The report also includes information on progress against the agreed audit plan, performance indicators and previous audit recommendations

## Recommendations:

The Committee is asked to

- (i) note the progress against the audit plan for 2017/18

## Tracking

|                        |                          |
|------------------------|--------------------------|
| Audit Committee:       | <b>27 September 2017</b> |
| Overview and Scrutiny: | <b>Not applicable</b>    |
| Council:               | <b>Not applicable</b>    |

## 1. BACKGROUND INFORMATION

- 1.1 Management is responsible for establishing effective systems of governance, risk management and internal controls. It is the responsibility of management to establish appropriate arrangements to confirm that their systems are working effectively, that all information within them is accurate and that they are free from fraud or error.
- 1.2 Internal Audit's role is to provide independent assurance to senior management and Audit Committee over the adequacy and effectiveness of management's arrangements for governance, risk management and internal control.
- 1.3 This report summarises the work carried out by Internal Audit in the period from April to September 2017.

## 2. PROGRESS AGAINST AUDIT PLAN

- 2.1 Details of progress against the 2017/18 Audit plan is shown at **Appendix 1**.
- 2.2 There have been 3 audit reviews completed in the second quarter and 2 follow ups completed. These are detailed below:

| Review Area                                  | Assurance Level |
|--|-----------------|
| Corporate Charge Card                        | Partial         |
| Gifts & Hospitality                          | Substantial     |
| NNDR   | Reasonable      |
| Housing Benefit Overpayments (Follow-up)     | Substantial     |
| Workforce Development & Training (Follow Up) | Substantial     |

- 2.3 Internal Audit resource was also utilised on the following in Q2:
- Corporate Reviews – overseeing completion of Good Governance Principles and Code of Conduct (See separate report)
  - Internal Control Questionnaires – issue, collation and review of management questionnaires for main financial systems not subject to review in 2016/17.
  - NFI – following completion of the national biennial data matching initiative 135 records relating to potential frauds and errors within creditor and payroll records were reviewed. Only one issue was identified, relating to a confirmed duplicate payment of £1,300. Recovery of the overpayment is being pursued by the authority.
  - Investigation – review of travel claims following an allegation of misuse.
- 2.4 The Audit Plan as prepared in March assumed that the internal audit service would be fully resourced from 1 April with all positions being filled and an allowance for leave entitlement. Although the two auditors TUPE transferred on 1 April, the Principal Auditor was not appointed until mid-May. This together with the completion of work for the 2016/17 Audit Plan for the Shared Service means that

the Audit Plan needs to be revised to reflect the available resources and the additional workload from completion of the 2016/17 audit plan.

- 2.5 The original Audit Plan identified 550 direct audit days for internal audit in 2017/18. Taking into account the delays in recruitment, actual working hours and actual leave entitlement the revised total audit days is now 536 days.
- 2.6 It is therefore proposed to revise the allocated days across the work of internal audit as follows:

| Category  | Original Days Allocated | Revised Days Allocated |
|---|-------------------------|------------------------|
| Corporate Reviews   | 60                      | 40                     |
| Directorate Risk Based Audit Reviews  | 220                     | 207                    |
| Financial System Reviews  | 90                      | 80                     |
| Governance System Reviews incl. Local Code of Corporate Governance and Good Governance Principles | 30                      | 0                      |
| Follow Up Audits  | 25                      | 55                     |
| Completion of 2016/17 Audit Plan work   | 0                       | 72                     |
| Counter Fraud incl. policy review   | 20                      | 30                     |
| Advice and Guidance   | 20                      | 12                     |
| Contingency   | 25                      | 0                      |
| VFM & Efficiency Reviews  | 20                      | 0                      |
| Audit Committees, incl. Effectiveness Reviews   | 20                      | 20                     |
| Planning/Management   | 20                      | 20                     |
| <b>TOTAL</b>  | <b>550</b>              | <b>536</b>             |

- 2.7 The changes to the plan are as follows:

| Change  | Taken from   | Movement        |
|---|--|-----------------|
|   |  |                 |
| <b>Net loss of available audit days due to vacancies</b>  |  | <b>-14 Days</b> |
|   | <i>Gifts and Hospitality review budget reduced, full allocation not required</i> | 13 Days         |
|   | <i>Contingency (Contribution)</i>  | 1 days          |
| <b>Resource required for completion of 2016/17 work, as agreed with Cumbria County Council following cessation of the Shared Service.</b> |  | <b>+72 Days</b> |
|   | <i>Remove Performance Management review (performed 16/17)</i>                    | 20 Days         |
|   | <i>Remove Governance System reviews (Duplication within Corporate Reviews)</i>   | 30 Days         |
|   | <i>VFM Contingency</i>   | 20 Days         |
|   | <i>Contingency (Contribution)</i>  | 2 days          |
| <b>Resource required for additional follow-up work due to the extent of Partial Assurance reviews issued Q4 2015/16</b>                   |  | <b>+30 Days</b> |
|   | <i>Contingency (Contribution)</i>  | 22 Days         |
|   | <i>Advice and guidance contingency (no call to date)</i>                         | 8 Days          |

|   |   |                  |
|---|---|------------------|
| <b>Additional Counter Fraud required due to whistle-blowing incidents</b> |   | <b>+10 Days</b>  |
|   | <i>Reduce resource required for system questionnaires</i> | <i>(10 days)</i> |

- 2.8 These amendments address the resource pressures placed on the Internal Audit team, predominantly due to the work required to complete the 2016/17 Shared Service Plan (and vacancies), while ensuring the core risk-based reviews included in the 2017/18 plan will still be delivered.
- 2.9 If there is a call within the year for internal audit to deliver additional work (such as the VFM Reviews) further review of the audit plan will be necessary.

### 3 PERFORMANCE INDICATORS

- 3.1 In order to provide an effective internal audit service, there needs to be an effective measure of the performance it achieves. It is proposed to set the same indicators reported in 2016/17 as measures of the performance of internal audit.

| Indicator  | Target | Actual (Q2) | Commentary   |
|--|--------|-------------|--|
| Planned Audits Completed   | 95%    | 32%         | 10/31 reviews finalised. 2017/18 started Q2 - broadly on target.     |
| Audit Scopes Agreed  | 100%   | 100%        | 7 Scopes issued (all agreed)   |
| Draft Reports issued by agreed deadline                              | 80%    | *           | No information available (Specific deadlines currently not set)      |
| Timely issue of Final Reports (within 8 days of management response) | 80%    | 100%        |  |
| Recommendations agreed   | 95%    | 100%        | All recommendations agreed.  |
| Assignment completion within allocated resource                      | 50%    | 88%         | 7/10 reviews within budget. Remaining 3 within 2 days of allocation. |
| Quality Assurance checks completed                                   | 100%   | 100%        | Audit Control Sheets completed for all finalised reviews.            |
| Customer satisfaction survey feedback (scored as good)               | 80%    | 100%        | 2 returns received to date   |
| Efficiency (Chargeable time)   | 80%    | 81%         |  |

### 4 AUDIT RECOMMENDATIONS

- 4.1 **Appendix 3** shows a summary position of outstanding audit recommendations and progress made against implementing these. Once the agreed implementation date has passed, internal audit will ask the responsible officer for an update of progress. The responses will then be reported to the next available Audit Committee meeting and, if implemented, will then be removed from the list so that only outstanding recommendations remain. Where the recommendations relate to a partial

assurance audit, these will be subject to a formal follow up and will be reported back to Audit Committee separately. New recommendations will be added to the list once final reports are agreed.

## **5. CONSULTATION**

5.1 not applicable

## **6. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

The Committee is asked to

(i) note the progress against the audit plan for 2017/18

## **7. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

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

**Contact Officer: Steven Tickner**

**Ext: 7280**

**Appendices attached to report:**

- Appendix 1 – Progress against Audit Plan and Timeline of audits**
- Appendix 2 – Audit Reports issued in Quarter 1**
- Appendix 3 – Previous Audit Recommendations**

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

- **None**

### **CORPORATE IMPLICATIONS/RISKS:**

**Community Services – not applicable**

**Economic Development – not applicable**

**Governance & Regulatory Services –**

**Corporate Resources and Resources – Contained within the report**

**CARLISLE CITY COUNCIL  
PROGRESS AGAINST REVISED AUDIT PLAN 2017/18**

| Service Area               | Review Type         | Audit Area  | Allocated Days | Days Taken | Status      | Audit Committee Date | Assurance Evaluation | Comments            |
|----------------------------|---------------------|---|----------------|------------|-------------|----------------------|----------------------|---------------------|
| Various                    | 2016/17             | Contribution to Shared Service c/f                    | 52             | 52         | Finalised   | Jul 2017             | Various              |                     |
| Policy & Communications    | Follow Up           | Records Management                                    | 5              | 4          | Finalised   | Jul 2017             | Partial              |                     |
| Corporate                  | MFS                 | Internal Control Questionnaires - Non Audited Systems | 0              | 0          | Finalised   | Sep 2017             | N/A                  | 2 hours in 17/18    |
| Corporate                  | Corporate           | Corporate Governance - Compliance with Local Code     | 20             | 13         | Finalised   | Mar 2018             | N/A                  | See separate report |
| Financial Services         | Directorate         | Corporate Charge Card                                 | 20             | 16         | Finalised   | Sep 2017             | Partial              |                     |
| Democratic Services        | Directorate         | Gifts and Hospitality                                 | 7              | 7          | Finalised   | Sep 2017             | Substantial          |                     |
| Revenues and Benefits      | Follow Up           | Benefit Overpayments                                  | 5              | 2          | Finalised   | Sep 2017             | Substantial          |                     |
| Organisational Development | Follow Up           | Workforce Development and Training                    | 5              | 4          | Finalised   | Sep 2017             | Substantial          |                     |
| Revenues & Benefits        | Directorate (16/17) | NNDR  | 20             | 21         | Finalised   | Sep 2017             | Reasonable           |                     |
| Counter Fraud              | Fraud               | National Fraud Initiative                             | 10             | 11         | Finalised   | Sep 2017             | N/A                  |                     |
| Environmental Health       | Directorate         | Public health & safety/enforcement                    | 20             | 9          | In progress | Jan 2018             |                      | Testing underway    |
| Housing                    | Follow Up           | Home Life   | 5              | 6          | Drafted     | Jan 2018             |                      |                     |
| Business & Employment      | Follow Up           | Enterprise Centre                                     | 5              | 1          | In progress | Jan 2018             |                      |                     |
| Service Support            | Directorate         | Flexitime and TOIL                                    | 20             | 0          |             | Jan 2018             |                      |                     |

| Service Area             | Review Type | Audit Area   | Allocated Days | Days Taken | Status      | Audit Committee Date | Assurance Evaluation | Comments                 |
|--------------------------|-------------|--|----------------|------------|-------------|----------------------|----------------------|--------------------------|
| Service Support          | Directorate | Salary Sacrifice & Holiday Purchase Schemes            | 20             | 0          |             | Jan 2018             |                      |                          |
| Development Control      | Directorate | Section 106 agreements / CIL                           | 20             | 4          | In Progress | Jan 2018             |                      | Testing Underway         |
| Arts, Culture and Sports | Directorate | Arts Centre  | 20             | 2          | In Progress | Jan 2018             |                      | Testing Underway         |
| Green Spaces             | Directorate | Talkin Tarn & Boathouse Tea Room                       | 20             | 4          | In Progress | Jan 2018             |                      | Testing Underway         |
| Housing                  | Directorate | Supporting People (grant income, Hostels & Homeshares) | 20             | 0          |             | Jan 2018             |                      |                          |
| Garage Services          | Directorate | Garage incl. Driver checks                             | 20             | 2          | Scoped      | Jan 2018             |                      |                          |
| Financial Services       | MFS         | Debtors  | 20             | 0          |             | Mar 2018             |                      |                          |
| Financial Services       | MFS         | Income Management & Cash Collection                    | 20             | 0          |             | Mar 2018             |                      |                          |
| Financial Services       | MFS         | Payroll  | 20             | 0          |             | Mar 2018             |                      |                          |
| Revenues and Benefits    | MFS         | Housing and Council Tax Benefits                       | 20             | 0          |             | Mar 2018             |                      |                          |
| DIS                      | Follow Up   | IT General Controls                                    | 5              | 0          |             | Mar 2018             |                      | Grant Thornton Review    |
| Corporate                | Corporate   | Business Continuity Planning                           | 20             | 0          |             | Mar 2018             |                      | Postponed                |
| Human Resources          | Directorate | Safeguarding incl DBS                                  | 20             | 1          |             | Mar 2018             |                      | Postponed (staff change) |
| Policy & Communications  | Follow Up   | Records Management                                     | 5              | 0          |             | Mar 2018             |                      |                          |
| Policy & Communications  | Follow Up   | Performance Management                                 | 5              | 0          |             | Mar 2018             |                      |                          |
| Building Control         | Follow Up   | Physical Security of Premises                          | 5              | 0          |             | Mar 2018             |                      |                          |

| Service Area               | Review Type | Audit Area           | Allocated Days | Days Taken   | Status | Audit Committee Date | Assurance Evaluation | Comments |
|----------------------------|-------------|----------------------|----------------|--------------|--------|----------------------|----------------------|----------|
| Property & Facilities Mgmt | Follow Up   | Building Maintenance | 5              | 0            |        | Jan 2018             |                      |          |
|                            |             | <b>TOTAL</b>         | <b>459</b>     | <b>108</b>   |        |                      |                      |          |
|                            |             | Follow Up (General)  | 5              | 2            |        |                      |                      |          |
|                            |             | Counter Fraud        | 20             | 10           |        |                      |                      |          |
|                            |             | Advice & Guidance    | 12             | 0            |        |                      |                      |          |
|                            |             | Audit Committee      | 20             | 7            |        |                      |                      |          |
|                            |             | Planning             | 20             | 16           |        |                      |                      |          |
|                            |             | <b>OVERALL TOTAL</b> | <b>536</b>     | <b>143 *</b> |        |                      |                      |          |

\* Days taken as at 14 September 2017 (excludes leave and training days)

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

**APPENDIX 2.1**

**CARLISLE  
CITY COUNCIL**



**[www.carlisle.gov.uk](http://www.carlisle.gov.uk)**

# **Audit of Corporate Charge Card**

**Draft Report Issued: 8<sup>th</sup> August 2017**  
**Director Draft Issued: 8<sup>th</sup> August 2017**  
**Final Report Issued: 24<sup>th</sup> August 2017**



## Audit Report Distribution

|                         |   |
|-------------------------|---|
| <b>For Action:</b>      | Steven Tickner, Deputy Chief Finance Officer  |
| <b>For Information:</b> | Jason Gooding, Chief Executive<br><br>Alison Taylor, Chief Finance Officer  |
| <b>Audit Committee:</b> | The Audit Committee, which is due to be held on 27 September 2017, will receive summary findings and recommendations from this audit. |

### Executive Summary

#### 1.0 Background

- 1.1. This report summarises the findings from the audit of Corporate Charge Card. This was an internal audit review included in the 2017/18 risk-based audit plan agreed by the Audit Committee on 16<sup>th</sup> March 2017.
- 1.2. The Council currently has five corporate charge cards. These cards provide an alternative method for paying for goods when immediate payment is required, for example internet purchases.
- 1.3. Individual transaction limits, maximum monthly spending limits and total spend limits for all cards have been set up to reduce the financial risk to the Council.

#### 2.0 Audit Approach

##### Audit Objectives and Methodology

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

##### Audit Scope and Limitations.

- 2.3. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Lead for this review was the Deputy Chief Finance Officer and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risk areas:
  - Risk 1- Corporate charge card procedures are not in line with Council's financial procedure rules.
  - Risk 2 – Risks from providing cards have not been identified resulting in financial risk and reputational damage.
  - Risk 3 – Reputational damage / financial loss / sanctions due to non-compliance with legislation and procedures and inappropriate purchases being undertaken.
  - Risk 4 – Poor quality information resulting in incomplete financial records.
  - Risk 5 – Safeguarding of Corporate charge cards is not effective because unauthorised individuals can access / use the cards.
  - Risk 6 – Safeguarding of data is not effective because it is not held securely and can be accessed by unauthorised individuals.
  - Risk 7 - Poor value for money / reputational damage arising from inappropriate and inefficient purchasing decisions.
  - Risk 8 – Potential improvements / efficiencies for corporate charge cards are not identified.
  - Risk 9 – Corporate charge card is not effective.

## B1701 Corporate Charge Card

- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3.0 Assurance Opinion

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

### 4.0 Summary of Recommendations, Audit Findings and Report Distribution

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

4.3

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

Response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A.

### 4.4 Findings Summary

#### **Good Practice:**

- Purchasing card procedures have been documented and made available to cardholders.
- Individual transaction limits, maximum monthly spending limits and total spend limits for all cards have been set up to reduce financial risk to the Council.
- Cardholders have received VAT training and one cardholder has received one to one training from Finance.
- At the time of the audit all of the cards were securely retained.
- Work has been planned to review an existing contract to see if a more cost effective system can be identified for the procurement of travel and accommodation expenses and also to see how the cards will work alongside the e-procurement system.

#### **Areas for improvement:**

- Purchasing card procedures need to be brought up to date to reflect staffing and organisational changes.
- Instances were identified during the audit where cards were used by other Council officers (not the named card-holders) to make purchases.
- Not all transaction logs are being completed at the time of the purchase by cardholders.
- At the time of the audit there were no controls in place to ensure cardholders avoided using unsecured websites for internet purchases.
- Audit testing confirmed that in some cases supporting documentation was not retained to provide an audit trail to purchases.
- Examples were noted where purchasing card procedures were not followed as cards had been used to purchase rail fares, hotels and car parking.
- Examples were noted where invoices had been issued to support card purchases, yet no enquiries were made to see if it would be more cost effective to set up a creditor account.
- Consideration should be given to cancelling the two cards that are not being used.

#### **Comment from the Chief Officer**

A good audit review which has highlighted areas of best practice; however, it is the areas for improvement which highlight specific issues with regard to the use of credit cards which must be addressed. These have all been accepted by Management and plans are in place to implement all of the suggested recommendations to an early timescale

### 5.0 Audit Findings

#### 5.1 Management – Achievement of the organisation's strategic objectives

##### Audit Findings

- 5.1.1** Purchasing card procedures have been documented and made available to all cardholders. However, one cardholder was not able to locate their copy of the procedures during the audit review. These procedures refer to both the Council's existing purchasing procedures which form part of the Financial Procedure Rules and the Council's Travel & Subsistence Scheme.
- 5.1.2** It was noted that the procedures are not current, with job titles being out of date.
- 5.1.3** Individual transaction limits, maximum monthly spending limits and total spend limit for all cards has been set up to reduce financial risk to the Council. No breaches of these were identified in the sample of audit testing undertaken.
- 5.1.4** Audit was advised by two cardholders that they have allowed other staff members on occasions to use their card. Examples were also identified during audit testing where this has happened. This creates a significant risk to the cardholder, who is ultimately responsible for all spend made using the card.
- 5.1.5** Not all transaction logs are completed by the cardholder at the time of purchase and as a result they would be unaware if they had reached their monthly transaction limit and what expenditure had been incurred up to that date.
- 5.1.6** At the time of the audit there was no arrangements in place to ensure that cardholders are either aware to avoid or are prevented from using unsecured websites (http) for internet purchases. It should be noted that Internal Audit immediately sent an email to all cardholders to ensure that they are aware to only use secure websites to make purchases (https).
- 5.1.7** There are two cards that have not been used during 2016/17 or the current financial year. It is advised that management should consider if there is any business requirement to retain these two card accounts and if not, seek to close them and cancel the cards.

| Recommendations  |                              |  |
|--|------------------------------|--|
| <p><b>Recommendation 1: Purchasing Card Procedures</b></p> <p>The Purchasing Card Procedures need to be brought up to date. Once updated all cardholders should receive a copy of the revised procedures and any future updates to legislation, processes etc.</p> <p>The procedures should also refer to the requirement for internet purchases to be made via secured websites only.</p> | <p><b>Priority</b><br/>M</p> | <p><b>Risk Exposure</b></p> <p>Corporate charge card procedures are not in line with Council's financial procedure rules and the Travel and Subsistence policy.</p> <p>Unsecured websites may be used to make internet purchases which may lead to fraud and reputational damage to the Council.</p> |
| <p><b>Recommendation 2: Third Party Purchases</b></p> <p>Management should ensure that cardholders never provide their card to other staff to use.</p> <p>A process should be implemented and documented within the procedures to cover requests by other staff for the card holder to make purchases on their behalf.</p>   | <p><b>Priority</b><br/>H</p> | <p><b>Risk Exposure</b></p> <p>Safeguarding of corporate charge cards is not effective because unauthorised individual can access / use the cards.</p>   |
| <p><b>Recommendation 3: Transaction Log Completion</b></p> <p>The cardholder should complete the transaction log every time the card is used to make a purchase.</p>   | <p><b>Priority</b><br/>M</p> | <p><b>Risk Exposure</b></p> <p>Poor quality information resulting in incomplete financial records and the card being declined.</p>   |
| <p><b>Recommendation 4: Internet Purchases</b></p> <p>Arrangements should be implemented to ensure that cardholders only use secure websites when making internet purchases.</p>   | <p><b>Priority</b><br/>M</p> | <p><b>Risk Exposure</b></p> <p>Safeguarding of data is not effective because it is not held securely and can be accessed by unauthorised individuals.</p> <p>Unsecured websites may be used to make internet purchases which may lead to fraud and reputational damage to the Council.</p>           |

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

#### **Audit Findings**

**5.2.1** The purchasing card procedures include cardholder and officer responsibilities.

**5.2.2** The majority of transaction logs had been signed off by the cardholder and their line manager, though instances of non-compliance were identified (6% of transaction logs had not been signed by the cardholder and 8% by the line manager). This should be monitored to ensure payments are signed off. It was noted that the Chief Executive's transaction logs are signed off by his PA at his request.

**5.2.3** Audit testing identified the following weaknesses / errors:

- Not all documentation (in particular itemised receipts, rather than card receipts) was attached to the monthly transaction log to support several purchases;
- Errors in recording and claiming VAT were identified resulting in a VAT over claim of £115.48
- Two examples where the incorrect code had been recorded on the transaction logs;
- Examples were noted where cards had been used to purchase rail fares, hotels and car parking. Cardholders need to ensure expenditure of this nature is in line with the general travel and subsistence scheme and the Council's approved rates (as per the purchasing card procedures, page 5 item 8.3 Excluded Purchases)

**5.2.4** Cardholders have received VAT training and one cardholder has received one to one training from Finance.

| Recommendations  |                      |  |
|--|----------------------|--|
| <b>Recommendation 5:<br/>Transaction Logs &amp; Supporting Documentation</b><br><br>A reminder should be sent to all cardholders and line managers to ensure:<br>-Suitable documentation such as itemised receipts, including VAT where applicable and reason for spend should be attached to the monthly transaction logs;<br>-Travel and subsistence is appropriately claimed.<br>Management are responsible for checking this when approving the transaction log. | <b>Priority</b><br>M | <b>Risk Exposure</b><br><br>Reputational damage / financial loss / sanctions due to non-compliance with legislation and procedures and inappropriate purchases being undertaken. |

### 5.3 **Information** – reliability and integrity of financial and operational information

| Audit Findings  |
|---|
| <b>5.3.1</b> All current cards are securely retained.   |
| <b>5.3.2</b> Transaction logs, card statements and supporting documentation are retained in a tamber unit within the secured finance office; only Council officer have access to this area. |

### 5.4 **Value** – effectiveness and efficiency of operations and programmes

| Audit Findings   |
|--|
| <b>5.4.1</b> Examples were noted during audit testing where three separate companies had provided an invoice to support a purchase. Audit was advised that no enquiries had been made to see if it was possible for these companies be set up on account with the Council. Cardholders should be reminded that in such cases enquiries should be made to see if it is cost effective for companies to be set up with an account. |
| <b>5.4.2</b> Audit was advised that work is planned in to review how the corporate charge cards will work with the new e-procurement system.   |
| <b>5.4.3</b> The travel contract will also be reviewed to see if there is a more efficient way for the Council to make travel arrangements.  |

## B1701 Corporate Charge Card

### Appendix A – Management Action Plan

| Summary of Recommendations and agreed actions   |                      |   |  |  |
|---|----------------------|---|--|--|
| Recommendations   | Priority             | Risk Exposure   | Agreed Action  | Responsible Manager<br>Implementation Date |
| <b>Recommendation 1:<br/>Purchasing Card Procedures</b><br>The Purchasing Card Procedures need to be brought up to date. Once updated all cardholders should receive a copy of the revised procedures and any future updates to legislation, processes etc.<br><br>The procedures should also refer to the requirement for internet purchases to be made via secured websites only. | <b>Priority</b><br>M | <b>Risk Exposure</b><br>Corporate charge card procedures are not in line with Council's financial procedure rules and the Travel and Subsistence policy.<br><br>Unsecured websites may be used to make internet purchases which may lead to fraud and reputational damage to the Council. | Procedures will be reviewed and brought up to date with additional details on appropriate use and completion of transaction logs.                                  | Deputy Chief Finance Officer<br>31/08/17   |
| <b>Recommendation 2:<br/>Third Party Purchases</b><br>Management should ensure that cardholders never provide their card to other staff to use. A process should be implemented and documented within the procedures to cover requests by other staff for the card holder to make purchases on their behalf.  | <b>Priority</b><br>H | <b>Risk Exposure</b><br>Safeguarding of corporate charge cards is not effective because unauthorised individual can access / use the cards.   | Reminders will be given to all cardholders about their responsibilities in using corporate purchasing cards. These will also be included in the revised procedures | Deputy Chief Finance Officer<br>31/08/17   |

## B1701 Corporate Charge Card

| Summary of Recommendations and agreed actions   |                      |  |  |                              |                     |
|---|----------------------|--|--|------------------------------|---------------------|
| Recommendations   | Priority             | Risk Exposure  | Agreed Action  | Responsible Manager          | Implementation Date |
| <b>Recommendation 3: Transaction Log Completion</b><br>The cardholder should complete the transaction log every time the card is used to make a purchase.             | <b>Priority</b><br>M | <b>Risk Exposure</b><br>Poor quality information resulting in incomplete financial records and the card being declined.  | Reminders will be given to all cardholders about their responsibilities in using corporate purchasing cards. These will also be included in the revised procedures | Deputy Chief Finance Officer | 31/08/17            |
| <b>Recommendation 4: Internet Purchases</b><br>Arrangements should be implemented to ensure that cardholders only use secure websites when making internet purchases. | <b>Priority</b><br>M | <b>Risk Exposure</b><br>Safeguarding of data is not effective because it is not held securely and can be accessed by unauthorised individuals. Unsecured websites may be used to make internet purchases which may lead to fraud and reputational damage to the Council. | Reminders will be given to all cardholders about their responsibilities in using corporate purchasing cards. These will also be included in the revised procedures | Deputy Chief Finance Officer | 31/08/17            |

## B1701 Corporate Charge Card

| Summary of Recommendations and agreed actions  |                              |  |   |  |
|--|------------------------------|--|---|--|
| Recommendations  | Priority                     | Risk Exposure  | Agreed Action   | Responsible Manager<br>Implementation Date       |
| <p><b>Recommendation 5: Transaction Logs &amp; Supporting Documentation</b></p> <p>A reminder should be sent to all cardholders and line managers to ensure:</p> <ul style="list-style-type: none"> <li>-Suitable documentation such as itemised receipts, including VAT where applicable and reason for spend should be attached to the monthly transaction logs;</li> <li>-Travel and subsistence is appropriately claimed.</li> </ul> <p>Management are responsible for checking this when approving the transaction log.</p> | <p><b>Priority</b><br/>M</p> | <p><b>Risk Exposure</b><br/>Reputational damage / financial loss / sanctions due to non-compliance with legislation and procedures and inappropriate purchases being undertaken.</p> | <p>Reminders will be given to all cardholders about their responsibilities in using corporate purchasing cards. These will also be included in the revised procedures</p> | <p>Deputy Chief Finance Officer<br/>30/08/17</p> |

## Appendix B

### Audit Assurance Opinions

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

|                       | Definition:   | Rating Reason  |
|-----------------------|---|--|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Improvements, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>  |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                 |

Appendix C

Grading of Audit Recommendations

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

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

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



## Audit of Gifts & Hospitality

Draft Report Issued: 21 July 2017  
Director Draft Issued: 31 August 2017  
Final Report Issued: 07 August 2017



## Audit Report Distribution

|                         |  |
|-------------------------|--|
| <b>For Action:</b>      | Rachel Plant (Democratic Services Officer)   |
| <b>For Information:</b> | Mark Lambert (Corporate Director of Governance & Regulatory Services)<br>Jason Gooding (Town Clerk & Chief Executive)                              |
| <b>Audit Committee:</b> | The Audit Committee, which is due to be held on 27 <sup>th</sup> September 2017 will receive summary findings and recommendations from this audit. |

### Executive Summary

#### 1.0 Background

- 1.2. This report summarises the findings from the audit of the Gifts & Hospitality Register. This was an internal audit review included in the 2017/18 risk-based audit plan agreed by the Audit Committee on 16<sup>th</sup> March 2017.
- 1.2 The review covered the arrangements adopted by the Council to ensure all offers of gifts and hospitality are properly treated and recorded in line with relevant policies and legislation.

#### 2.0 Audit Approach

##### Audit Objectives and Methodology

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

##### Audit Scope and Limitations.

- 2.3 The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Lead for this review was the Democratic Services Officer and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risk areas:
- Council business objectives are compromised due to impartial decision-making process resulting from gifts and hospitality provided to Council Officers and Members.
  - Reputational damage due to perceived impartiality due to gifts and hospitality provided to Council Officers and Members.
  - Value for money not achieved due to impartial decision-making process resulting from gifts and hospitality provided to Council Officers and Members.
  - Organisation prosecuted under Bribery and Corruption Act due to inappropriate receipt of gifts and hospitality provided to Council Officers and Members.
- 2.4 There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3.0 Assurance Opinion

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

3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within the Gifts and Hospitality Register provide **Substantial assurance**.

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

### 4.0 Summary of Recommendations, Audit Findings and Report Distribution

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

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

The Council has suitable policies in place to ensure the appropriate treatment of all offers of gifts and hospitality. Declarations were found to be properly recorded and approved in line with Council policy.

It was identified that relevant policies do include out of date information and are due a refresh, though the additional risk exposure in relation to gifts and hospitality is minimal. It is advised that the Authority looks to the relevant policies.

#### **Comment from the Corporate Director:**

Thank you for the audit. A job well done by the Democratic Services team, which would not be possible without the proper co-operation of Members and Officers.

### 5.0 Audit Findings

#### 5.1 Management – Achievement of the organisation's strategic objectives

##### Audit Findings

- 5.1.1 The Council has various policies in place to ensure the appropriate treatment of gifts and hospitality: Codes of Conduct are in place for Members and Officers, which provide suitable guidance. The Financial Procedure Rules provide further definition and guidance.
- 5.1.2 The Council also has a Counter-Fraud & Corruption Policy and an Anti-Bribery Policy, both of which also refer to the treatment of gifts and hospitality. These policies are consistent with the processes outlined in the Codes of Conduct and Financial Procedures.
- 5.1.3 It was noted that the Codes of Conduct and Counter-Fraud & Corruption Policy both contained some out of date information (such as old job titles). However, the policies adequately cover the processes for gifts and hospitality, so there is minimal (if any) additional risk exposure as a result. It is advisable that the authority looks into updating all its policies on a regular basis to reflect changes to the authority.
- 5.1.4 Members and Officers are given regular reminders concerning their requirement to record any offer of gifts and hospitality and suitable training and awareness is provided. The relevant Policies are available to all Members and Officers via the authority's website and intranet.

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

##### Audit Findings

- 5.2.1 Members are required to formally declare all registered interests, including the receipt of any gifts and hospitality. A review of declarations found them to be appropriately completed and timely. Member's declarations are publically available via the Council's website.
- 5.2.2 Officers are required to record all offers of gifts and hospitality and receive biennial reminders of this requirement. Democratic Services maintain a register of all declarations completed.
- 5.2.3 A review of the gifts and hospitality register found that declarations were completed appropriately and approved by a relevant Corporate Director (who would provide additional advice when required).
- 5.2.4 Gifts accepted by both Council officers and Members were found to be acceptable and in line with the Council's procedures. Only one instance was identified of a gift not being accepted – this related to cash.

5.2.5 It is difficult for the Council to be fully assured that all offers of gifts and hospitality have been declared, as it is reliant on the individual to make a declaration. However, the Council has an appropriate Confidential Reporting (whistle-blowing) procedure in place that would help ensure any significant misconduct was identified and reported.

## Appendix A

### Audit Assurance Opinions

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

|                       | Definition:   | Rating Reason  |
|-----------------------|---|--|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Improvements, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>  |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                 |



# Audit of National Non Domestic Rates

Draft Report Issued: 15 August 2017  
Director Draft Issued: 04 September 2017  
Final Report Issued: 13 September 2017



## Audit Report Distribution

|                         |  |
|-------------------------|--|
| <b>For Action:</b>      | Reg Bascombe – Revenues and Benefits operations manager  |
| <b>For Information:</b> | Jason Gooding - Chief Executive  |
| <b>Audit Committee:</b> | The Audit Committee, which is due to be held on 27 September, will receive summary findings and recommendations from this audit. |

### Executive Summary

#### 1.0 Background

- 1.1. This report summarises the findings from the audit of National Non Domestic Rates (NNDR). This was an internal audit review included in the 2016/17 risk-based audit plan agreed by the Audit and Assurance Committee.
- 1.2. National Non-Domestic Rates (NNDR) is a tax on the occupation of a non-domestic property. The Local Government Act 1988 introduced business rates in England and Wales from 1990, repealing its immediate predecessor, the General Rate Act 1967.
- 1.3. All non-domestic properties are 'rated' by the Valuation Office Agency (VOA), which is a UK Government Executive Agency. With the exception of exempt properties, each non-domestic property, known as a "hereditament", is given a rateable value and the tax liability is calculated by multiplying the rateable value by the 'poundage' set by Government. This usually varies annually as it increases in line with inflation.
- 1.4. A number of reliefs are available, such as for charities and small businesses. Additionally, Flood relief has been available to business premises affected by the storms of December 2015.

#### 2.0 Audit Approach

##### Audit Objectives and Methodology

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

##### Audit Scope and Limitations.

- 2.3. The Audit Scope was agreed with management prior to the commencement of this audit review. The Client Lead for this review was the Revenues & Benefits Operations Manager and the agreed scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following scope areas:
  - Business Rate Reliefs
  - Debt recovery and write-offs
  - Business Rates Flood Relief Scheme
- 2.4. There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3.0 Assurance Opinion

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

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

### 4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**.
- 4.2 There are 3 audit recommendations arising from this audit review and these can be summarised as follows:

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

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

### 4.4 Findings Summary

#### **Good Practice:**

- Service planning is well developed and key goals and objectives are established
- Procedures and system controls are in place within the NNDR area
- Management have good processes in place to monitor the collection rates and to highlight any anomalies
- The current legislation is available to all officers. There are detailed procedure notes within the NNDR section for dealing with the day to day operations. A copy of the procedures is available to all staff on the shared drive.
- The debt recovery guidance is set out within the Financial Procedure Rules.
- Service level agreements are in place with 3rd party providers of services.
- The policy around the Flood relief scheme was approved and controls were in place to ensure that scheme was complied with.
- Documentation is retained to support discounts.
- Checks are in place to verify that the accuracy and completeness of the bills.
- Management have ensured that the system used to process the NNDR is registered with Information Commissioner's Office (ICO).
- The NNDR information is held securely.
- All officers are dedicated NNDR officers and have significant experience.

#### **Areas for improvement:**

- Responsibilities are needed to be delegated from the Chief Executive to the Revenues and Benefits Operation Manager.
- Team leader appraisals need to be written up. There needs to be clear direction for the team appraisal as this has not been under taken.
- Risk registers are not always completed on a timely basis
- A restructure has recently been undertaken within the recovery section to provide greater resilience. There is still a need though to update the Recovery notes specific to NNDR, audit have acknowledged that considerable progress has been made on procedure notes within the section and that management are aware of the need to complete these.
- Management have no effective controls in place to ensure that the Council's documentation disposal policy is complied with for electronic records due to technical system issues.

#### **Comment from the Chief Officer**

I thank Internal Audit for this report and I will ensure that the necessary management actions are expedited

### 5.0 Audit Findings and Recommendations

#### 5.1 Management – Achievement of the organisation's strategic objectives

**5.1.1** Service planning is well developed and key goals and objectives are set out within the service plan. Performance information is included as the target collection rate is established.

**5.1.2** The handover document prior to the departure of the Director of Resources has been used as a control document to ensure that all functions have continued to be undertaken. Some of the responsibilities are needed to be delegated from the Chief Executive to the Revenues and Benefits Operation Manager. This was raised in the handover but has not yet been actioned. In addition there was a point raised about maintaining the document as a control document but this responsibility has not yet been decided upon. There is a risk that if responsibility for NNDR is not clearly defined there may be a lack of ownership.

**Recommendation 1 - Responsibility for areas of NNDR should be formally delegated to the appropriate officer. (M)**

**5.1.3** Procedures and system controls are in place within the NNDR area to ensure that a consistent approach to the provision of rate relief and write offs is in place and that officers are aware of their roles and responsibilities

**5.1.4** Personal objectives have been set for the Revenues Team leader responsible for the NNDR section during the appraisal process however this is yet to be written up. The appraisal was performed over 8 months ago. There is also no clear direction on the process for appraisals for team members and these have not taken place since prior to the service coming back in house 2 years ago. Management have not been able to clarify how training needs are identified within the team. This could result in inconsistent approaches to the provision of NNDR as staff may not be aware of their roles and responsibilities.

**Recommendation 2 - Appraisal process should be followed and should be completed timely. A decision needs to be made on which officer is responsible for undertaking the wider team appraisal and ensuring that staff training needs are identified (M)**

**5.1.5** There is a good understanding of the risk registers and the corporate process for escalating any high lever issues to the corporate risk register. It was noted during the review that risk registers are not always completed on a timely basis – the responsible officer is advised to ensure risk registers are completed on a timely basis in line with the Council's Risk Management policy (quarterly).

Management are aware of anomalies with the collection rates promptly as there are good reports produced which raise attention to any anomalies.

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

- 5.2.1 The current legislation is available to all officers. There are detailed procedure notes within the NNDR section for dealing with the day to day operations. A copy of the procedures is available to all staff on the shared drive.
- 5.2.2 The debt recovery guidance is set out with the Financial Procedure Rules. The recovery timetable is annually approved prior to the start of the financial year.
- 5.2.3 A restructure has recently been undertaken within the recovery section and officers are now working across the team and not on specific areas. This is aimed to produce greater resilience. There is still a need to update the Recovery notes specific to NNDR. Audit has acknowledged that considerable progress has been made on procedure notes within the section and that management are aware of the need to complete these.
- 5.2.4 Service level agreements are in place with 3<sup>rd</sup> party providers of services.
- 5.2.5 The policy around the Flood relief scheme was approved and controls were in place to ensure that scheme was complied with.

### 5.3 Information – reliability and integrity of financial and operational information

- 5.3.1 Reliefs are identified through applications from the tax payers. Documentation to support the claims is retained.
- 5.3.2 Checks are in place to verify that the accuracy and completeness of the bills.
- 5.3.3 Staff are aware of their obligations under the employee code of conduct, to avoid any perception of partiality, staff must not handle service requests for themselves, their relatives or friends and, if requested to do so, must pass it to a colleague.

### 5.4 Security – Safeguarding of Assets

- 5.4.1** Management have ensured that the system used to process the NNDR is registered with Information Commissioner's Office (ICO).
- 5.4.2** The NNDR information is held securely, the service is operated from an office with restricted access. The Electronic system is password protected and access levels are appropriately set.
- 5.4.3** Management have no effective controls in place to ensure that the Council's documentation disposal policy is complied with for electronic records due to technical system issues. Management have concerns over the extended timescales information is retained for. There is currently a corporate drive to improve document retention across the Council as a whole and services will be challenged during the autumn at DMTs. There is a risk that the Council is holding data inappropriately and that it could result in financial penalties for breaching data protection legislation.

**Recommendation 3:** - Management need to put into place a document retention policy for the NNDR section and to ensure that timely disposal of documents is complied with for all records, electronic and paper.

### 5.5 Value – effectiveness and efficiency of operations and programmes

- 5.4.4** Management ensure that the collection of rates is monitored and that action is taken where necessary. Workloads are tracked and weekly updates are sent to the managers.
- 5.4.5** All officers are dedicated NNDR officers and have significant experience.

## Appendix A – Management Action Plan

| Summary of Recommendations and agreed actions  |                      |  |  |                               |                     |
|--|----------------------|--|--|-------------------------------|---------------------|
| Recommendations  | Priority             | Risk Exposure  | Agreed Action  | Responsible Manager           | Implementation Date |
| <b>Recommendation 1: Responsibility</b><br>Responsibility for areas of NNDR should be formally delegated to the appropriate officer.   | <b>Priority</b><br>M | <b>Risk Exposure</b><br>Responsibility for NNDR is not clearly defined and as a result there may be a lack of ownership            | Revenues and Benefits operations Manager will raise at his next 1 to 1 and will ensure that the delegation is completed.   | Revenues and Benefits Manager | <b>6 Months</b>     |
| <b>Recommendation 2: Appraisal process and training</b><br>Appraisal process should be followed and should be completed timely. A decision need to be made on which officer is responsible for undertaking the wider team appraisal and ensuring that staff training needs are identified. | <b>Priority</b><br>M | <b>Risk Exposure</b><br>Inconsistent approach to provision of NNDR because staff are not aware of their roles and responsibilities | The new cycle of appraisals is about to commence and a decision will be made and actioned by year end.   | Revenues and Benefits Manager | <b>March 2018</b>   |
| <b>Recommendation 3: Document Retention</b><br>Management need to put into place a document retention policy for the NNDR section and to ensure that timely disposal of documents is complied with for all records, electronic and paper.  | <b>Priority</b><br>M | <b>Risk Exposure</b><br>Data is held inappropriately. Risk of fines for breaching data protection laws.                            | The document retention policy will be in place for NNDR by the end of the financial year.<br><br>Testing on the two electronic systems, Academy and Civica, and the reliability of disposal to be commenced early 2018/19. | Revenues and Benefits Manager | <b>March 2018</b>   |

### Appendix B

#### Audit Assurance Opinions

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

|                       | Definition:   | Rating Reason  |
|-----------------------|---|--|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Improvements, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>  |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                 |

## Appendix C

### Grading of Audit Recommendations

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

|               | Definition:  |
|---------------|--|
| <b>High</b>   | Significant risk exposure identified arising from a fundamental weakness in the system of internal control |
| <b>Medium</b> | Some risk exposure identified from a weakness in the system of internal control                            |

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

# Audit follow up of Housing Benefit Overpayments

Draft Report Issued: 31 July 2017  
Director Draft Issued: 01 August 2017  
Final Report Issued: 11<sup>th</sup> August 2017



## Audit Report Distribution

|                         |  |
|-------------------------|--|
| <b>For Action:</b>      | Reg Bascombe, Revenues & Benefits Operations Manager   |
| <b>For Information:</b> | Jason Gooding, Town Clerk & Chief Executive  |
| <b>Audit Committee:</b> | The Audit Committee, which is due to be held on 27 <sup>th</sup> September 2017 will receive summary findings and recommendations from this audit. |

### Executive Summary

#### 1.0 Background

- 1.1. This report summarises the findings from a follow up audit of Housing Benefit Overpayments. This was a follow-up internal audit review included in the 2017/18 risk-based audit plan agreed by the Audit Committee on 16<sup>th</sup> March 2017.
- 1.2. The original audit was finalised in May 2016, resulting in a conclusion of **partial assurances** and **5** recommendations. A management action plan was completed detailing agreed actions, responsible manager and implementation dates to address the recommendations (**Appendix A**). This follow-up report provides an update on progress made against this action plan.

#### 2.0 Audit Approach

##### Audit Objectives and Methodology

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

##### Audit Scope and Limitations.

- 2.4 The original scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls in the following areas:
  - Referrals & progress of recovery
  - Debt provision (including write off process)
  - Staff resources and reporting lines
  - System reporting
- 2.5 It is the responsibility of management to monitor the effectiveness of internal controls to ensure they continue to operate effectively.
- 2.6 There were no instances whereby the audit work undertaken was impaired by the availability of information.

#### 3.0 Assurance Opinion

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

- 3.2 Where the findings of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.
- 3.3 From the areas examined and tested as part of this follow up review we consider the current controls operating within Housing Benefit Overpayments now provide **substantial assurance** (revised from **partial assurance**).

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

### 4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix C**.
- 4.2 The previous audit included 5 recommendations (**Appendix A**) of which:
- 4 agreed actions have been successfully implemented.
  - 1 agreed actions have been partially implemented.
- 4.3 There are no audit recommendations arising from this audit review.
- 4.4 **Findings Summary:**  
Good progress has been made against the action plan, with four of the recommendations now fully implemented. Suitable processes and procedures have now been documented, which addresses the one high level recommendation previously reported. In addition, a restructure of the service has addressed concerns raised regarding business continuity.

There is still progress required to fully embed a properly documented quality assurance process, but it is clear from discussions and information provided during the audit that this is an ongoing development that will be fully resolved in due course.

#### **Comment from the Corporate Director**

I thank Internal Audit for this report and I am pleased to note that satisfactory progress has been made in response to the recommendations

## H1704 Housing Benefit Overpayments

### 4.1 Recommendation 1 (Service Objectives)

#### Audit Findings

- 4.1.1 At the time of the previous audit no suitable Service Plan was in place for Revenues and Benefits (the only plan related to a defunct shared service).
- 4.1.2 During the first quarter of 2017/18 the Authority as a whole has been engaged in a process led by Policy & Performance to ensure consistent and suitable Service Plans are produced for every department within the authority.
- 4.1.3 A review of the Service Plan produced for the Revenues and Benefits department indicated that Housing Benefit Overpayments is part of the plan. The plan is available to all members of the Revenues and Benefits team via the department's intranet page.
- 4.1.4 An established performance indicator to achieve in-year collection of 40% is formally recorded in the plan and reported internally on a monthly basis.

### 4.2 Recommendation 2 – (Business Resilience & Continuity)

#### Audit Findings

- 4.2.1 At the time of the previous audit only one officer was responsible for recovering Housing Benefit overpayments, resulting in business continuity concerns should the officer take leave from the post.
- 4.2.2 Following a restructure of the Revenues and Benefits team responsibility for recovering Housing Benefit overpayments is now split across three Recovery Officer Posts, offering greater resilience.

### 4.3 Recommendation 3 – (Documented Procedures)

#### Audit Findings

- 4.3.1 At the time of the previous audit there were no documented procedures regarding the process for recovering Housing Benefit overpayments.
- 4.3.2 A suite of training documents has now been prepared by the Recovery Officer with previous experience in recovering over payments. Procedures were found to offer a good level of information and guidance.
- 4.3.3 The Procedures are available to all relevant officers via the shared network drive and the experienced officer continues to provide training and guidance to other members of the team.

### 4.4 Recommendation 4 – (Compliance with Key Council Policies)

#### Audit Findings

- 4.4.1** At the time of the previous audit there was nothing to provide assurance to Management that recovery of overpayments was aligned to the Council's Anti-Poverty Strategy.
- 4.4.2** Guidelines are now in place that determines the steps to be considered by Revenue and Benefits as a whole when recovering overpayments.
- 4.4.3** Adherence to the guidance is being monitored (initially by the officer with previous experience in recovering overpayments, but this will transfer to the Recovery Team Leader in due course (see Recommendation 5)

### 4.5 Recommendation 5 – (Quality Assurance)

#### Audit Findings

- 4.5.1** At the time of the previous audit there was limited quality checking arrangements in place.
- 4.5.2** The Recovery Team Leader is currently still familiarising themselves with other aspects of the work, so not currently performing checks.
- 4.5.3** In the interim the Recovery Officer with previous experience of recovering Housing Benefit overpayments is checking the work of other officers.
- 4.5.4** It is anticipated that responsibility for Quality Assurance will transfer to the Recovery Team Leader once they are sufficiently familiar with the process.

## Appendix A – Original Management Action Plan

Page 141 of 196

## H1704 Housing Benefit Overpayments

| Summary of Recommendations and agreed actions  |          |   |  |  |               |
|--|----------|---|--|--|---------------|
| Recommendations  | Priority | Risk Exposure   | Agreed Action  | Responsible Manager                    | Date Actioned |
| <p>R3 - Arrangements should be in place to ensure that all procedures are fully documented and approved by management. In signing off the procedures, management should ensure that they are sufficiently detailed for staff to follow and for less experienced staff providing cover for the Overpayments function with appropriate support.</p> <p>The arrangements should ensure that the procedures are communicated to staff and that review dates and responsibilities for review are set and monitored.</p> | H        | <p>Recovery procedures are not in place and debt is not collected.</p> <p>The Council is unable to demonstrate that staff are clear about management's expectations of how they should undertake their duties</p> <p>Management are unable to be assured that staff are following the correct procedures</p> <p>Business continuity arrangements may not be robust if procedures do not allow for less experienced staff to provide cover</p> | Procedures are to be documented within the service review. Implementation will require staff training based on the new processes devised. Further review of the changes will be considered once the new roles have become established. | Revenues & Benefits Operations Manager | March 2017    |
| <p>R4 - Arrangements should be in place for senior management to receive assurance that Housing Benefit Overpayment procedures align with all relevant Carlisle City Council strategic policies. A date should be set for this assurance to be provided.</p>   | M        | <p>Council priorities are not achieved as operational procedures do not align with approved policies and strategies in place to deliver these.</p>  | Alignment as changes to procedures are developed and applied. Priority to be given to the Debt Recovery and Anti-Poverty strategies urgently   | Revenues & Benefits Operations Manager | March 2017    |

| Summary of Recommendations and agreed actions  |          |  |  |                      |               |          |
|--|----------|--|--|----------------------|---------------|----------|
| Recommendations  | Priority | Risk Exposure  | Agreed Action  | Responsible Manager  | Date          | Actioned |
| <p>R5 - The capability of the officers should be considered so that appropriate checks are undertaken and that the checks are reduced as competency is achieved.</p> <p>Management should consider how the outcomes of QA checks should be documented and reviewed to identify any remedial actions needed and to feed into future training and review of procedures</p> | M        | Inefficient use of resources – checks carried out are disproportionate to risk of error or learning from common issues is not identified and addressed | 100% checks are reduced subject to findings and errors are discussed with relevant Assessment Officers. Outcomes are to be recorded in a control spreadsheet and periodic checks made of arrangements. | Recovery Team Leader | December 2016 | In part  |

### Appendix B

#### Audit Assurance Opinions

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

|                       | Definition:   | Rating Reason  |
|-----------------------|---|--|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Improvements, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>  |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                 |

Appendix C

Grading of Audit Recommendations

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

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

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

# Audit follow up of Workforce Planning and Development

**Draft Report Issued:** 29<sup>th</sup> August 2017  
**Director Draft Issued:** 4<sup>th</sup> September 2017  
**Final Report Issued:** 15<sup>th</sup> September 2017



## Audit Report Distribution

|                         |  |
|-------------------------|--|
| <b>For Action:</b>      | Alison Taylor, Chief Finance Officer   |
| <b>For Information:</b> | Jason Gooding, Chief Executive   |
| <b>Audit Committee:</b> | The Audit Committee, which is due to be held on 27 <sup>th</sup> September 2017 will receive summary findings and recommendations from this audit. |

### Executive Summary

#### 1.0 Background

- 1.1. This report summarises the findings from a follow up audit of Workforce Planning and Development. This was an internal audit review included in the 2017/18 risk-based audit plan agreed by the Audit Committee on 16<sup>th</sup> March 2017.
- 1.2. The original audit report issued in August 2016, resulting in a conclusion of **Partial Assurance** and **4** recommendations. A management action plan was completed detailing agreed actions, responsible manager and implementation dates to address the recommendations (**Appendix A**). This follow-up report provides an update on progress made against this action plan.

#### 2.0 Audit Approach

##### Audit Objectives and Methodology

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

##### Audit Scope and Limitations.

- 2.4 The original scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following areas:
  - Identification of risks relating to workforce planning and development
  - Development of a workforce planning and development strategy to address those risks
  - Review and monitoring of effectiveness of actions taken
- 2.5 It is the responsibility of management to monitor the effectiveness of internal controls to ensure they continue to operate effectively.
- 2.6 There were no instances whereby the audit work undertaken was impaired by the availability of information.

### 3.0 Assurance Opinion

- 3.1 Each audit review is given an assurance opinion and these are intended to assist Members and Officers in their assessment of the overall level of control and potential impact of any identified system weaknesses. There are 4 levels of assurance opinion which may be applied. The definition for each level is explained in Appendix B.
- 3.2 Where the findings of the follow up confirm that actions have been successfully implemented and controls are working effectively, the internal audit assurance opinion may be revised from that provided by the original audit.
- 3.3 From the areas examined and tested as part of this follow up review we consider the current controls operating within Workforce Development provide **Substantial assurance** (revised from **Partial assurance**).
- Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

### 4.0 Summary of Recommendations, Audit Findings and Report Distribution

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in Appendix C.
- 4.2 The previous audit included four recommendations (See Appendix A) of which:
- 3 agreed actions have been successfully implemented.
  - 1 agreed action has been partially implemented.
- 4.3 There are no audit recommendations arising from this audit review
- 4.4 **Findings Summary:**
- Good progress has been made against the action plan, with three of the recommendations now implemented. The High Priority recommendation has been fully addressed, with a formal decision made and documented that the authority will develop a Workforce development plan.
- There is still progress required to complete the workforce development plan and ensure that all the key areas are included; however good progress has been made and the responsibility has been delegated to the Transformation Working Group. The Senior Management Team are monitoring the progress.

#### Comment from the Chief Officer

### 5.0 Summary of Recommendations, Audit Findings and Report Distribution

#### 5.1 Recommendation 1 – Workforce plan / Strategy

- 5.1.1** At the time of the audit it was concluded that there was no corporate Workforce Strategy in place, although it was recognised that a draft Workforce Strategy for 2015-2020 was produced in 2014, but that it had not approved or implemented. The recommendation required a formal decision to be made on whether the authority wanted to develop a strategy.
- 5.1.2** A report has since been presented to SMT from the HR Advisory Services Team Leader, titled Workforce Planning & Development and it set out the findings from the audit report and the key aims for the future. The report asked SMT to “include the development of the workforce strategy within the remit of the Transformation sub-group”.
- 5.1.3** The Minutes from SMT evidenced that a formal decision had been agreed. “SMT agreed that the development of the Workforce Strategy be within the remit of the Transformation sub group.”
- 5.1.4** The formal decision has been made to develop a Workforce Strategy and responsibility has been delegated to the Transformation Sub group.

#### 5.2 Recommendation 2 – Directorate Learning and Development Plans

- 5.1.5** The audit highlighted that the Directorate Learning and Development Plans were developed by each directorate in 2015/16. These plans set out required skills, qualifications, training and succession planning requirements however, there is no mechanism in place to ensure these are regularly reviewed and updated.
- 5.1.6** A revised Learning and Development plan has been developed and was agreed by the Transformation group. These will include more data and are aligned to the individual service plans.
- 5.1.7** Reviews of the plans with individual managers will take place this autumn to ensure that a corporate approach applied.

#### 5.2 Recommendation 3 – Talent Management

- 5.2.1** The authority does not have a policy/ strategy for identifying and developing the skills of future leaders and technical specialists. This was highlighted in the audit.
- 5.2.2** The Workforce Strategy presented to SMT in March 2017 highlighted the recommendation and the benefits have been accepted. It has been agreed by SMT that this should form part of the Workforce Strategy and that there is no need for a separate policy.

### 5.3 Recommendation 4 – Cross Team Working

- 5.3.1** The audit highlighted that there were examples of some job roles being assessed for cross-team working such as project managers, but that there was no mechanism to ensure that all relevant roles had been assessed.
- 5.3.2** SMT Sub-Groups are operational with cross-directorate membership. Minutes of each meeting are considered by SMT on a regular basis to ensure that progress is monitored.

## Appendix A – Original Management Action Plan

| Summary of Recommendations and agreed actions   |                         |   |  |                        |                     |            |
|---|-------------------------|---|--|------------------------|---------------------|------------|
| Recommendations   | Priority                | Risk Exposure   | Agreed Action  | Responsible Manager    | Implementation Date | Actioned   |
| <b>Recommendation 1:</b><br>A formal decision should be taken on whether a workforce strategy is required and actions then taken accordingly. If the decision is taken not to develop a workforce strategy, management should ensure that the risks associated with not having a strategy are identified and addressed. | <b>Priority</b><br>High | <b>Risk Exposure</b><br>Priorities set out in the Council Plan are not met<br><br>Skills and experience are lost with no agreed organisation-wide approach to addressing this<br><br>Reputational loss due to poor service delivery | HR have developed a number of workforce strategies including agile working, appraisal process, apprenticeships etc. which contribute to workforce design and development. These can be incorporated into a comprehensive workforce plan. A formal decision regarding a plan will be taken at SMT and subsequent risk management reflected in the corporate risk register. These arrangements will be in place before 2017/18 municipal year. | <b>Chief Executive</b> | <b>March 2017</b>   | <b>Yes</b> |

## H1705 Workforce Planning and Development

| Summary of Recommendations and agreed actions   |                             |  |  |                        |                     |                  |
|---|-----------------------------|--|--|------------------------|---------------------|------------------|
| Recommendations   | Priority                    | Risk Exposure  | Agreed Action  | Responsible Manager    | Implementation Date | Actioned         |
| <b>Recommendation 2:</b><br>Arrangements should be in place to ensure that Directorate Learning and Development plans remain up to date and reflect the Council's skills and qualification requirements               | <b>Priority</b><br>Medium   | <b>Risk Exposure</b><br>Poor service delivery through inadequate training/ skills<br><br>Inefficient workforce   | These will be reviewed by SMT before municipal year 2017/18  | <b>Chief Executive</b> | <b>On going</b>     | <b>Yes</b>       |
| <b>Recommendation 3:</b><br>To consider drafting a policy for identifying and developing a career path for future leaders and technical specialists or alternatively including this in an overall workforce strategy. | <b>Priority</b><br>Advisory | <b>Risk Exposure</b><br>Loss of talented individuals to other organisations<br><br>Poor quality service delivery | Will be considered by SMT. There is however considerable investment in development of manager and future managers in place and work is underway on extending the management competency framework. A clear policy on talent management would be potentially very helpful. | Chief Executive        | On going            | Work in progress |

| Summary of Recommendations and agreed actions   |                             |   |   |                     |                                 |
|---|-----------------------------|---|---|---------------------|---------------------------------|
| Recommendations   | Priority                    | Risk Exposure   | Agreed Action   | Responsible Manager | Implementation Date<br>Actioned |
| <b>Recommendation 4:</b><br>Management should consider introducing arrangements to identify opportunities for greater cross-team working to ensure the most efficient and effective use of existing resources | <b>Priority</b><br>Advisory | <b>Risk Exposure</b><br>Missed opportunities to utilise existing resources in the most cost-effective way<br><br>Additional costs associated with recruiting where skills and capacity may exist internally<br><br>Missed opportunities to enhance staff morale and development opportunities | Agreed – new structure will develop a number of ‘sub-groups’ of SMT with cross team representation at (typically) service head level to tackle cross cutting activity. This work is underway and will be in place before municipal year 2017/18 | Chief Executive     | On going<br><br>Yes             |

### Appendix B

#### Audit Assurance Opinions

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

|                       | Definition:   | Rating Reason  |
|-----------------------|---|--|
| <b>Substantial</b>    | There is a sound system of internal control designed to achieve the system objectives and this minimises risk.  | <p>The controls tested are being consistently applied and no weaknesses were identified.</p> <p>Improvements, if any, are of an advisory nature in context of the systems and operating controls &amp; management of risks.</p>  |
| <b>Reasonable</b>     | There is a reasonable system of internal control in place which should ensure that system objectives are generally achieved, but some issues have been raised which may result in a degree of risk exposure beyond that which is considered acceptable.   | <p>Generally good systems of internal control are found to be in place but there are some areas where controls are not effectively applied and/or not sufficiently developed.</p> <p>Recommendations are no greater than medium priority.</p>  |
| <b>Partial</b>        | The system of internal control designed to achieve the system objectives is not sufficient. Some areas are satisfactory but there are an unacceptable number of weaknesses which have been identified and the level of non-compliance and / or weaknesses in the system of internal control puts the system objectives at risk. | <p>There is an unsatisfactory level of internal control in place as controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>Recommendations may include high priority matters for address.</p> |
| <b>Limited / None</b> | Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and this exposes the system objectives to an unacceptable level of risk.   | <p>Significant non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist. Recommendations will include high priority matters for address. Some medium priority matters may also be present.</p>                 |

Appendix C

Grading of Audit Recommendations

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

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

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

# **APPENDIX 3 - OUTSTANDING AUDIT RECOMMENDATIONS**

| Audit Review   |          |  |  |            |                                | Assurance Level |
|--|----------|--|--|------------|--------------------------------|-----------------|
| 2015/16 - Housing Benefit Overpayments   |          |  |  |            |                                | Partial         |
| Recommendation   | Priority | Agreed action  | Responsible Manager                      | Date       | Status                         |                 |
| The objectives and priorities for Housing Benefit Overpayments should be reviewed and included in the approved Resources Directorate service plan. Arrangements should be made to communicate these to the team and to feed them into individuals' personal objectives through the appraisal process.  | M        | Activities being considered due to an operational service review. Objectives and priorities to be confirmed as part of the service restructure changes implementation.   | Revenues and Benefits Operations Manager | 01/12/2016 | Closed (Confirmed as actioned) |                 |
| Management should carry out and document an assessment of the HB Overpayment Officer's responsibilities to identify which need to be covered in case of absence and ensure that arrangements in place to provide these. Management should review the business continuity arrangements across the service to ensure that these are sufficient to manage the risks of significant staff absence.   | M        | Resilience and continuity are to be incorporated through the proposed structure changes and changes to the Recovery Officer duties.  | Senior Recovery Officer                  | 01/12/2016 | Closed (Confirmed as actioned) |                 |
| Arrangements should be in place to ensure that all procedures are fully documented and approved by management. In signing off the procedures, management should ensure that they are sufficiently detailed for staff to follow and for less experienced staff providing cover for the Overpayments function with appropriate support.<br><br>The arrangements should ensure that the procedures are communicated to staff and that review dates and responsibilities for review are set and monitored. | H        | Procedures are to be documented within the service review. Implementation will require staff training based on the new processes devised. Further review of the changes will be considered once the new roles have become established. | Revenues and Benefits Operations Manager | 01/03/2017 | Closed (Confirmed as actioned) |                 |
| Arrangements should be in place for senior management to receive assurance that Housing Benefit Overpayment procedures align with all relevant Carlisle City Council strategic policies. A date should be set for this assurance to be provided.   | M        | Alignment as changes to procedures are developed and applied. Priority to be given to the Debt Recovery and Anti-Poverty strategies urgently   | Revenues and Benefits operations Manager | 01/04/2017 | Closed (Confirmed as actioned) |                 |
| The capability of the officers should be considered so that appropriate checks are undertaken and that the checks are reduced as competency is achieved.<br><br>Management should consider how the outcomes of QA checks should be documented and reviewed to identify any remedial actions needed and to feed into future training and review of procedures   | M        | 100% checks are reduced subject to findings and errors are discussed with relevant Assessment Officers. Outcomes are to be recorded in a control spreadsheet and periodic checks made of arrangements.                                 | Senior Recovery Officer                  | 01/12/2016 | Closed (Confirmed as actioned) |                 |

| Audit Review   |          |  |                                       |            |   | Assurance Level |
|--|----------|--|---------------------------------------|------------|---|-----------------|
| 2015/16 - Building Maintenance   |          |  |                                       |            |   | Partial         |
| Recommendation   | Priority | Agreed action  | Responsible Manager                   | Date       | Status                                      |                 |
| <p>Management should put in place adequate arrangements to ensure that statutory maintenance is undertaken as required at all properties and that they are assured that this is taking place. This should include:</p> <ul style="list-style-type: none"> <li>· Maintaining an up to date system to record all statutory maintenance requirements and whether these have been met;</li> <li>· Ensuring data in the system is supported by relevant inspection reports</li> <li>· Requiring regular reports from the system to be reviewed to provide assurance that the council properties remain compliant with statutory requirements</li> </ul> | <b>H</b> | <p>The database information used for recording and monitoring statutory maintenance certifications will be brought up to date. Resources will be allocated within the Property Services team restructure to ensure the database records are continually updated in the future as certifications arise.</p> <p>A system for monitoring the status and delivery of the statutory maintenance programme will be introduced and reports prepared on a monthly basis by the Property Technical Assistant. These will be checked by the Building and Facilities Manager to ensure properties are compliant, the system is up to date, and the supporting evidence is in place.</p> | Building and Estates Services Manager | 31/12/2016 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should ensure that appropriate arrangements are established to plan, record and monitor property condition surveys.   | <b>H</b> | A fresh programme for undertaking condition surveys will be established for the occupational property portfolio. Reports on condition will be procured utilising the services of an external Building Surveyor. Service delivery, monitoring and recording of the condition surveys will be undertaken annually; the results will be reported upon and used to update the Asset Management Plan and inform future planned building maintenance.  | Building and Estates Services Manager | 31/12/2017 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should document how Council Surveyors should carry out a condition survey, what should be inspected, how it should be recorded and what should be reported.   | <b>M</b> | Guidance on the preparation, inspection, protocol and methodology for undertaking condition surveys, and reporting the results/outcomes with appropriate documentation, will be put in place in accordance with RICS industry standard practice  | Building and Estates Services Manager | 31/12/2017 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should put in place adequate arrangements to be assured that statutory maintenance requirements are met in council buildings that are leased to third parties and that information on this is obtained in a timescale that will allow all certification to be brought up to date prior to handover.   | <b>M</b> | Estate Management Practices will be put in place in order to monitor Lessee compliance with statutory maintenance and the provision of supporting certification / documentation. This will be checked annually, to make sure it's up to date, and at the end of the Lease term.  | Building and Estates Services Manager | 31/07/2017 | Formal follow up to be performed Q3 2017/18 |                 |

| Audit Review   |          |  |  |            |   | Assurance Level |
|--|----------|--|--|------------|---|-----------------|
| 2015/16 - Enterprise Centre  |          |  |  |            |   | Partial         |
| Recommendation   | Priority | Agreed action  | Responsible Manager                        | Date       | Status                                      |                 |
| Key actions, potential risks and performance measures/target dates should be identified and documented in support of the agreed Enterprise Centre objective. Once documented, these should be communicated to staff and other stakeholders as appropriate and used to inform team and individual objectives. The actions, risks and performance measures should be regularly reviewed and reported as appropriate.   | <b>M</b> | Business plan to be prepared for the Enterprise Centre relating to the year ahead, detailing key actions and planned activities to support realisation of the Service Plan objective. Risks to realisation of the objective to be detailed through this process but then entered into and regularly reviewed and managed through the Council's Project Server, mirroring the corporate approach. The Plan can then be used to inform individual's objectives through the appraisal process. Business Plan is to include a schedule of annual management approvals, evidencing that the need to review for example rents, health and safety assessments, robustness of tenancy agreements etc. has been considered and any updates documented along with reasoning to support decisions made. It is also proposed that this same process be used to document any significant outstanding issues at the preceding year end as well as key achievements within. | Investment and Policy Manager              | 31/03/2017 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should set a timescale for the approval of the Economic Development scheme of sub-delegation.   | <b>H</b> | The absence of any approval to date reflects that an active review of the scheme of sub-delegation is and has been ongoing for some time, reflecting significant governance and workforce restructures within the organisation. The highlighted issue will be addressed through this ongoing process   | Corporate Director of Economic Development | 01/04/2017 | Formal follow up to be performed Q3 2017/18 |                 |
| a) Arrangements should be in place to ensure that all procedures are fully documented and approved by management. In approving procedures, management should ensure that they are sufficiently detailed for staff to follow to prepare Tenancy At Will Agreements.<br>b) Management should introduce arrangements to obtain assurance that the expected procedures are being followed. A timescale should be set for the review and approval of these procedures.<br>c) Management should put arrangements in place to obtain assurance that tenants comply with their Tenancy At Will Agreement and the correct amount of rent is paid. | <b>H</b> | Existing procedure notes have already been reviewed and significantly updated to enhance their robustness, including making clear when the procedure note was last updated and approved by management.<br><br>Unit file spot checks to be undertaken – minimum of 10% of Units Let – and to be clearly documented including sign off within the annual management checklist within the proposed Business Plan. Spot checks to be guided by preparation of detailed procedure note ensuring mandatory aspects of Tenancy Agreement are covered including the rent paid.   | Investment and Policy Manager              | 31/03/2017 | Formal follow up to be performed Q3 2017/18 |                 |
| a) Arrangements should be in place to ensure that the approach to set and review the rents of the units at the Enterprise Centre are documented and approved. Once documented these should be communicated to staff.<br>b) Management should introduce arrangements to obtain assurance that the expected procedures are being followed.   | <b>H</b> | The proposed business plan is to include a schedule of annual management approvals, evidencing that the need to review for example rents, health and safety assessments, robustness of tenancy agreements etc. has been considered and any updates documented along with reasoning to support decisions made. Annual sign off of the business plan will afford assurances that the expected procedures are being followed and any variances documented.  | Investment and Policy Manager              | 31/03/2017 | Formal follow up to be performed Q3 2017/18 |                 |

| Audit Review  |          |  |                               |            |   | Assurance Level |
|---|----------|--|-------------------------------|------------|---|-----------------|
| <b>2015/16 - Enterprise Centre</b>  |          |  |                               |            |   | Partial         |
| Recommendation  | Priority | Agreed action  | Responsible Manager           | Date       | Status                                      |                 |
| Arrangements should be put in place to ensure that management receive regular assurances that all statutory health and safety and building maintenance checks are being undertaken at the Enterprise Centre. Management should consider how these checks and their outcomes should be documented and reviewed and that any remedial actions are undertaken. | <b>M</b> | <p>Arrangements in the form of a comprehensive schedule of statutory responsibilities to be put together along with reporting protocols to ensure that the schedule can function as a log and be updated to indicate that the required actions / checks have been done, with any issues flag.</p> <p>Required reviews of overarching health and safety and fire risk assessments to be set out in the proposed Business Plan which will require senior manager sign off.</p> | Investment and Policy Manager | 31/03/2017 | Formal follow up to be performed Q3 2017/18 |                 |

| Audit Review   |          |   |  |            |   | Assurance Level |
|--|----------|---|--|------------|---|-----------------|
| 2015/16 - Homelife   |          |   |  |            |   | Partial         |
| Recommendation   | Priority | Agreed action   | Responsible Manager                      | Date       | Status                                      |                 |
| Management should have arrangements in place to ensure that all key objectives are clearly documented and that these are then used as a basis for determining individual staff objectives.                                       | M        | Homelife Plan including key objectives is to be included in the Environmental Health and Housing Service Plan.  | Environmental Health and Housing Manager | 01/07/2016 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should ensure they have arrangements in place to ensure risks are recorded, managed and reviewed in line with the Council's risk management policy.   | M        | Risk Management included in both the Service Plan and also on the operational risk register. To be updated quarterly.   | Environmental Health and Housing Manager | 01/08/2016 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should have arrangements in place to ensure, and demonstrate, that an appropriate level of planning and evaluation is in place to support the development and delivery of schemes and their objectives.               | H        | Should Homelife continue post 2016 / 17 a clear Business Plan including funding sources will require approval. A draft options paper for 2017/18 is a target within the 2016/17 Service Plan.   | Environmental Health and Housing Manager | 01/09/2016 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should have a mechanism in place to ensure that work is undertaken as expected after having defined requirements and clearly informed staff of these e.g. requirements regarding evidence of eligibility for funding. | M        | HIA Team leader is producing procedures now for work areas and also coordinating the delivery of the various Homelife 2016 / 17 schemes.<br>The Plan is confirming those reporting obligations required under the various schemes. The quarterly report for Keepsafe has been finalised and sent through to the OPCC in June 16 | Environmental Health and Housing Manager | 01/07/2016 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should ensure that evidence to support rates charged is retained and readily available.   | M        | The fees and charging structures are being finalised and will be included in both the options paper and the annual Fees and charges reports for approval at Full Council.   | Environmental Health and Housing Manager | 01/09/2016 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should ensure that all charges are reviewed and approved in line with Council policy.   | M        |   | Environmental Health and Housing Manager | 01/09/2016 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should have a mechanism in place to ensure the use and retention of key documents in relation to external funding applications.   | M        | Centralised filing will ensure future funding forms and approvals are easy to locate.   | Environmental Health and Housing Manager | 01/09/2016 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should have arrangements in place to ensure a consistent approach to record retention.  | M        | Management to confirm a policy covering a consistent approach to record retention.  | Environmental Health and Housing Manager | 01/09/2016 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should have arrangements in place to ensure that all work undertaken is billed.   | M        | Management will confirm arrangements to ensure that all work undertaken is billed.  | Environmental Health and Housing Manager | 01/09/2016 | Formal follow up to be performed Q3 2017/18 |                 |
| Management should ensure there is a mechanism in place to collate report and use feedback received from customers.   | A        | 100% customer feedback to be sought and reported for all Keepsafe and Minor Works undertaken. To confirm in the Service Plan the remaining schemes feedback process.  | Environmental Health and Housing Manager | 01/08/2016 | Formal follow up to be performed Q3 2017/18 |                 |

| Audit Review  |          |  |                     |            |                                | Assurance Level |
|---|----------|--|---------------------|------------|--------------------------------|-----------------|
| 2015/16 - Workforce Planning  |          |  |                     |            |                                | Partial         |
| Recommendation  | Priority | Agreed action  | Responsible Manager | Date       | Status                         |                 |
| A formal decision should be taken on whether a workforce strategy is required and actions then taken accordingly. If the decision is taken not to develop a workforce strategy, management should ensure that the risks associated with not having a strategy are identified and addressed. | <b>H</b> | HR have developed a number of workforce strategies including agile working, appraisal process, apprenticeships etc. which contribute to workforce design and development. These can be incorporated into a comprehensive workforce plan. A formal decision regarding a plan will be taken at SMT and subsequent risk management reflected in the corporate risk register. These arrangements will be in place before 2017/18 municipal year. | Chief Exec          | 01/03/2017 | Closed (Confirmed as actioned) |                 |
| Arrangements should be in place to ensure that Directorate Learning and Development plans remain up to date and reflect the Council's skills and qualification requirements   | <b>M</b> | These will be reviewed by SMT before municipal year 2017/18  | Chief Exec          | 01/03/2017 | Closed (Confirmed as actioned) |                 |
| To consider drafting a policy for identifying and developing a career path for future leaders and technical specialists or alternatively including this in an overall workforce strategy.   | <b>A</b> | Will be considered by SMT. There is however considerable investment in development of manager and future managers in place and work currently underway on extending the management competency framework. A clear policy on talent management would nonetheless be potentially very helpful.  | Chief Exec          | 01/03/2017 | Closed (Confirmed as actioned) |                 |
| Management should consider introducing arrangements to identify opportunities for greater cross-team working to ensure the most efficient and effective use of existing resources   | <b>A</b> | Agreed – new structure will develop a number of 'sub-groups' of SMT with cross team representation at (typically) service head level to tackle cross cutting activity. This work is underway and will be in place before municipal year 2017/18  | Chief Exec          | 01/03/2017 | Closed (Confirmed as actioned) |                 |

| Audit Review   |          |   |                                |            |                               |  | Assurance Level |
|--|----------|---|--------------------------------|------------|-------------------------------|--|-----------------|
| 2016/17 - Development Management   |          |   |                                |            |                               |  | Reasonable      |
| Recommendation   | Priority | Agreed action   | Responsible Manager            | Date       | Status                        |  |                 |
| a) Management should prepare planning application procedures/guidance for staff to follow that focus on describing how: new planning enquiries/applications should be allocated and processed, checks and validation checklists should be completed and documented, and any amendments and updates to the Acolaid system should be entered b) A timescale should be set for the preparation of planning application procedures/guidance including the relevant approval arrangements.  | <b>M</b> | Agreed. Started the process on preparing procedures that focus on administration, technical and professional roles and that demonstrate clearly where pressures of resources are. | Development Management manager | 31/03/2017 | Issue management statement Q3 |  |                 |
| a) Management should ensure that national and local targets are communicated to staff.<br>b) Management should be reminded of their responsibilities to identify and progress any team training needs and to regularly undertake team appraisals c) Managers should be reminded of the need to retain a record of team meetings that support discussions made regarding performance activity and training needs. Any outcomes from such discussions should be reported and escalated where appropriate and any corrective action taken should be documented. | <b>M</b> | Agreed. Changed Team meeting agenda proforma to include actions required i.e. local targets etc.<br><br>Team appraisal will be undertaken in the last quarter of 2016/17.         | Development Management manager | 31/03/2017 | Issue management statement Q3 |  |                 |
| Managers should be reminded of the need to retain a record of discussions and outcomes from having reviewed performance reports and weekly planning lists. Any outcomes from such discussions should be reported and escalated where appropriate and any corrective action taken should be documented.   | <b>M</b> | File notes will be stored alongside the weekly lists and performance figures confirming they have been checked and any updates.   | Development Management manager | 06/02/2017 | Issue management statement Q3 |  |                 |
| Arrangements should be introduced for monitoring and reporting compliances and non-compliances with the code of conduct guidance on conflicts of interest.   | <b>M</b> | Agreed will review and update P1 form to record where there is/is not conflict of interests or look at alternative process to record this.  | Development Management manager | 31/03/2017 | Issue management statement Q3 |  |                 |

| Audit Review  |          |  |                             |            |   | Assurance Level |
|---|----------|--|-----------------------------|------------|---|-----------------|
| 2016/17 - Electoral Registration  |          |  |                             |            |   | Reasonable      |
| Recommendation  | Priority | Agreed action  | Responsible Manager         | Date       | Status                                    |                 |
| Management should seek assurance through regular formal reporting, that Electoral Services can demonstrate how all the outcomes have been met for performance standard 1 and 2, including the provision of key performance data.              | M        | A formal report will be sent to the Town Clerk and Chief Executive and the Corporate Director of Governance & Regulatory Services on a frequency agreed with them. | Electoral Services Officers | 31/01/2017 | Closed (Confirmed as actioned)            |                 |
| Electoral Services staff should have clear written procedures in place which demonstrate how statutory obligations are fulfilled.<br>The procedures should be regularly reviewed and signed off by management.                                | M        | A supplementary procedural document to be created and reviewed on a regular basis.   | Electoral Services Officers | 31/03/2017 | Incomplete - revised timescale 31/12/2017 |                 |
| Electoral Services should retain evidence to demonstrate that the risks to achieving their objectives are considered by management at least quarterly, in line with the Council's risk management strategy and Electoral Commission guidance. | M        | Agreed   | Electoral Services Officers | 31/01/2017 | Closed (Confirmed as actioned)            |                 |

| Audit Review   |          |   |                     |            |        | Assurance Level                |
|--|----------|---|---------------------|------------|--------|--------------------------------|
| <b>2016/17 - Licensing</b>   |          |   |                     |            |        | Reasonable                     |
| Recommendation   | Priority | Agreed action   | Responsible Manager | Date       | Status | Closed (confirmed as actioned) |
| Regular reconciliations between LALPAC and the financial management system are undertaken by management. | M        | The Licensing Manager will investigate the availability of financial reporting within the current LALPAC system or whether an additional add on module would be required. | Licensing Manager   | 28/02/2017 |        |                                |

| Audit Review   |          |  |                                |   |  | Assurance Level |
|--|----------|--|--------------------------------|---|--|-----------------|
| 2016/17 - Rethinking Waste   |          |  |                                |   |  | Partial         |
| Recommendation   | Priority | Agreed action  | Responsible Manager            | Date  | Status   |                 |
| Governance arrangements for projects should be clearly specified and documented and agreed in advance. These should clearly set out what each relevant group or Board is responsible for and how they relate to each other. Terms of reference for future project boards and other governance groups convened to progress project activities should include: <ul style="list-style-type: none"><li>• Purpose of the Board/ group.</li><li>• Decision making powers of the Board/group.</li><li>• Membership, roles, responsibilities and accountabilities.</li><li>• Relationship to other governance groups involved in the project, including delegated responsibility for decision making and/or consultative status.</li></ul> | H        | This recommendation is accepted. Should Neighbourhood Services undertake a similar work programme again then additional thought would be given to establishing clearer governance arrangements.<br><br>The work of the Rethinking Waste Project board is now an on-going work stream of Neighbourhood Services.  | Neighbourhood Services Manager | As required   | Closed - one off project. Will consider risks in any future reviews of projects. |                 |
| Approval should be sought, agreed and documented in line with the project management handbook, prior to a project commencing.  | H        | In the case of the Rethinking Waste Project further consideration should have been given on the nature of the work to be undertaken and the most appropriate form of governance and management.  | Neighbourhood Services Manager | As required   | Closed - one off project. Will consider risks in any future reviews of projects. |                 |
| Operational risks relating to major Council projects should be formally recorded and managed in a project risk register. This should be available on project server, in line with the Council's Risk Management Policy. The project risk register should be the basis for reporting any significant risks to Corporate Programme Board and/or Scrutiny Panels.   | H        | The Rethinking Waste Project did sit on the Council's Corporate Risk Register recognising the impact this work may have on the Council. This assisted managers to focus on the key risks to the Council and address these.<br><br>The recording of project / operational risks associated with this work area was an area for improvement and will be considered in future projects. | Neighbourhood Services Manager | 01/03/2017  | Closed - one off project. Will consider risks in any future reviews of projects. |                 |
| A Project Initiation Document should be completed at the initiation stage of the project, as set out in the Project Management Handbook.   | M        | Agreed, PID's should be completed and agreed.  | Neighbourhood Services Manager | As and when any similar projects are embarked upon. | Closed - one off project. Will consider risks in any future reviews of projects. |                 |
| Management should ensure that a service plan for Neighbourhood Services is prepared for 2017/18 which includes objectives/ targets relating to project delivery as well as service performance indicators.   | M        | Agreed. The 2017/18 is currently under development.  | Neighbourhood Services Manager | 01/04/2017  | Closed - one off project. Will consider risks in any future reviews of projects. |                 |
| Management should ensure that relevant staff are aware of and trained in the application of the Council's Project Management Handbook.   | H        | Agreed further training on the Council's Project Management Handbook will be delivered as appropriate.   | Service Manager / HR Manager   | When required                                       | Closed - one off project. Will consider risks in any future reviews of projects. |                 |
| The Corporate Programme Board should develop a mechanism to monitor that all projects are delivered to corporate best practice by following the Project Management Handbook.   | H        | Agreed further training on the Council's Project Management Handbook will be delivered as appropriate.   | Service Manager / HR Manager   | When required                                       | Closed - one off project. Will consider risks in any future reviews of projects. |                 |

| Audit Review  |          |  |   |               |  | Assurance Level |
|---|----------|--|---|---------------|--|-----------------|
| 2016/17 - Rethinking Waste  |          |  |   |               |  | Partial         |
| Recommendation  | Priority | Agreed action  | Responsible Manager                                       | Date          | Status   |                 |
| A timetable for a communication plan should be established and this should also clarify who will be responsible for the plan and who will be consulted on its content.  | <b>M</b> | When appropriate a new communications plan will be developed and this will clarify responsibilities. | Neighbourhood Services Manager / Public Relations officer | When required | Closed - one off project. Will consider risks in any future reviews of projects. |                 |
| Key project documentation should be retained in line with the Corporate Records Management Policy.  | <b>M</b> | Agreed. Key documents should be retained as per the policy.  | Neighbourhood Services Manager                            | When required | Closed - one off project. Will consider risks in any future reviews of projects. |                 |
| <p>The recording of Rethinking Waste Project Board meetings should follow best practice including:</p> <ul style="list-style-type: none"> <li>Agenda should be based on main points in terms of reference.</li> <li>Action points allocated to individuals with dates which are reviewed for progress at subsequent meetings.</li> <li>Minutes of previous meetings to be dated so it is clear which meeting is being referred to.</li> </ul> | <b>A</b> | Agreed   | Neighbourhood Services Manager                            | When required | Closed - one off project. Will consider risks in any future reviews of projects. |                 |

| Audit Review  |          |   |  |            |  | Assurance Level |
|---|----------|---|--|------------|--|-----------------|
| 2016/17 Car Parking Income  |          |   |  |            |  | Reasonable      |
| Recommendation  | Priority | Agreed action   | Responsible Manager  | Date       | Status                                       |                 |
| <p>a) Objectives set out in the Car parking and city centre service plan would benefit from being constructed in a specific, meaningful, achievable, relevant and time bound (SMART) manner;</p> <p>b) Performance against the objectives in the service plan should be subject to regular review by management, using appropriate key performance indicators.</p> <p>c) The SWOT analysis should be carried out to inform the future car parking strategy.</p> | <b>M</b> | <p>The Council has introduced a new service plan template which includes the requirement to undertake a SWOT analysis and develop key performance indicators that are SMART (specific, measurable, achievable, realistic and time limited). The Car parking and city centre service plan will be completed using this template and progress against the plan will be reviewed at monthly team meetings.</p> | Contracts and Community Services Manager                                       | 30/06/2017 | Management statement to be issued Q4 2017/18 |                 |
| Operational risks should be considered and recorded on project server in line with the Council's Risk Management Policy.  | <b>M</b> | Operational risks relating to Car Parking have now been added to the Contracts and Community Services departmental risk register.   | Contracts and Community Services Manager                                       | Immediate  | Management statement to be issued Q4 2017/18 |                 |
| Staff procedures should be documented and regularly reviewed by management and for CEO's should include interpretation of surveillance legislation.   | <b>M</b> | Procedures for the Car Parking team will be documented and then reviewed every two years. Arrangements for compliance with surveillance legislation will be reviewed and included in documented procedures.   | Contracts and Community Services Manager & City Centre and Car Parking Manager | 30/11/2017 | Management statement to be issued Q4 2017/18 |                 |

| Audit Review   |          |  |                              |            |  | Assurance Level |
|--|----------|--|------------------------------|------------|--|-----------------|
| 2016/17 Flood Related Procurement  |          |  |                              |            |  | Reasonable      |
| Recommendation   | Priority | Agreed action  | Responsible Manager          | Date       | Status                                       |                 |
| Management should have arrangements to ensure that processes / procedures put in place are adhered to and that compliance with Contract Procedure Rules is demonstrated.       | <b>M</b> | A process is being developed that will allow analysis of expenditure to identify areas where procurement thresholds are potentially breached and can be used for further exploration as to whether a procurement process is required. This will be further developed in 2017/18. Although the NHS Framework was not signed in accordance with the Contract Procedure Rules (which requires 2 signatures), the framework access agreement was signed by a senior officer and the order placed with the contractor was also signed by a separate senior officer. The appointment was also approved by the Procurement Panel and reported as an Officer Decision Notices alongside all other flood related procurement. | Deputy Chief Finance Officer | 30/04/2017 | Management statement to be issued Q3 2017/18 |                 |
| Management should ensure arrangements are in place to comply with the Local Government Transparency Code and that staff are aware of their responsibilities in relation to it. | <b>M</b> | <i>The Council's website will be updated in line with the requirements of the Transparency Code.</i>   | Deputy Chief Finance Officer | 30/04/2017 | Management statement to be issued Q3 2017/18 |                 |

| Audit Review   |          |  |                                 |   |  | Assurance Level |
|--|----------|--|---------------------------------|---|--|-----------------|
| 2016/17 VR/ER  |          |  |                                 |   |  | Reasonable      |
| Recommendation   | Priority | Agreed action  | Responsible Manager             | Date                                    | Status   |                 |
| Future approvals by the Senior Management Team of Early Release and Voluntary Redundancy should be formally minuted to provide a clear and transparent audit trail of the decisions made.  | M        | The meeting of Directors to discuss VR/ER applications was not part of the formal SMT meetings and therefore no formal minutes were taken; this is not uncommon. However the HR representative recorded the individual outcome on the spreadsheet, which was then included on a list containing the posts of approved VR/ER applications, those rejected and/or postponed, analysed by Directorate. Notice letters were then issued to individuals and signed/authorised by each Director. To aid transparency in future initiatives, the spreadsheet used to record the meeting outcome will be signed off by the Chief Executive. The action will be added to a lesson learnt log  | HR Advisory Service Team Leader | Included in any future VR/ER initiative | Only applicable to VR window. None proposed.<br><br>Closed |                 |
| Early Release and Voluntary Redundancy payment calculations should retain evidence that they have been independently checked.  | M        | The spreadsheet used to calculate the redundancy payment was checked by a HR Advisor (name appears on notification letters) which was then subject to further verification by another HR advisor. To aid transparency the verifier (second HR advisor) will initial the spreadsheet calculations to ensure the accuracy of data input and calculation. This will be done by adding another column to the spreadsheet. The pay increase was notified after a number of redundancy calculations had been made and notice periods calculated; this had an impact with regard to the calculation dates etc. This is a complex area and a simple guidance note would be beneficial and developed. The actions will be added to a lesson learnt log. | HR Advisory Service Team Leader | Included in any future VR/ER initiative | Only applicable to VR window. None proposed.<br><br>Closed |                 |
| Redundancy and Early Release Schemes Guidance Notes and Procedures should clearly detail the full process including the completion / monitoring of the HR spreadsheet, the process for calculations / recalculations in the event of a pay increase and the process for issuing letters in relation to the scheme. | M        |  |                                 |   |  |                 |

| Audit Review  |          |                              |                       |                     |  | Assurance Level |
|---|----------|------------------------------|-----------------------|---------------------|--|-----------------|
| 2016/17 Homeworking Follow Up   |          |                              |                       |                     |  | Reasonable      |
| Recommendation  | Priority | Agreed action                | Responsible Manager   | Implementation date | Status                                       |                 |
| Documentation relating to employment and changes in working arrangements, i.e. homeworking agreements, should be held with related information on employees' personnel files. | M        | Accepted (Director Comments) | Chief Finance Officer | None stated         | Management statement to be issued Q4 2017/18 |                 |
| An inventory of council assets held by homeworkers should be maintained by Managers in accordance with the homeworking agreement.   | M        | Accepted (Director Comments) | Chief Finance Officer | None stated         | Management statement to be issued Q4 2017/18 |                 |

| Audit Review  |          |  |                                    |            |  | Assurance Level |
|---|----------|--|------------------------------------|------------|--|-----------------|
| 2016/17 DFG   |          |  |                                    |            |  | Reasonable      |
| Recommendation  | Priority | Agreed action  | Responsible Manager                | Date       | Status                                       |                 |
| <p>A risk assessment should be undertaken to identify all potential risks relevant to the administration of DFG and the awarding of work to contractors.</p> <p>Risks of fraud within the system should be identified in order that management can be assured that the current arrangements are effectively mitigating the risks to an acceptable level.</p> <p>Following a fraud risk assessment, consideration should be given to providing fraud awareness training and linking this to the procedures staff should follow if fraud is suspected</p> <p>A mechanism should be in place so that management are assured that all risks are loaded into the Project Server system.</p>                                    | <b>M</b> | <p>There are four risks presently recorded in the operational risk register which are applicable to DFGs:</p> <ul style="list-style-type: none"> <li>Loss of staff or illness – 11</li> <li>Major incident – loss of records- 12</li> <li>Budget variance – 22</li> </ul> <p>Failure to provide acceptable recording and response system – 23</p> <p>Risk of fraud will be included in the risk register. An initial assessment would indicate the impact is marginal, and the likelihood extremely remote, giving a risk score of 2.</p>  | Regulatory Services Manager        | 01/04/2017 | Management statement to be issued Q3 2017/18 |                 |
| <p>Arrangements should be introduced to document the management checks carried out in order to be fully assured that there is compliance with DFG procedures. This process should also be included in the DFG procedures. Checks should include for example:</p> <ul style="list-style-type: none"> <li>that an appropriate means test has been undertaken;</li> <li>that there have been no statutory timescale breaches;</li> <li>confirmation that the work has been completed to an appropriate standard;</li> <li>that the appropriate procurement route has been taken;</li> <li>that alternative options have been explored for the applicant;</li> <li>that the officers checklist has been completed.</li> </ul> | <b>M</b> | <p>Files are checked by management, against the policy framework for DFG's, as the documentation required to make an application is set in law. Only when this is undertaken is the approval notice signed by the authorised manager.</p> <p>Agreed to ensure consistency, the file insert will be updated, to include a checklist for managers signing off approvals, so it can be visually evidenced these checks have been undertaken, to verify the statutory information required.</p> <p>Statutory timescales are monitored outside individual applications and on a general performance database. The DFG Procedures document will be updated to reflect the existing monitoring of the procurement framework and timescales.</p> <p>Management would not be expected to undertake supervisory inspections of Officers to ensure works are signed off to an appropriate standard. This is designated to officer level. The Procurement Framework is set up by management to ensure quality of installations through use of quality contractors.</p> | Principal Health & Housing Officer | 01/04/2017 | Management statement to be issued Q3 2017/18 |                 |

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

| Audit Review   |          |   |   |                                   |   | Assurance Level |
|--|----------|---|---|-----------------------------------|---|-----------------|
| 2016/17 - Performance Management   |          |   |   |                                   |   | Partial         |
| Recommendation   | Priority | Agreed action   | Responsible Manager                             | Date                              | Status                                      |                 |
| <p>a) Corporate arrangements for assessing and monitoring the progress of delivering the Carlisle Plan 2015-18 priorities including the arrangements for having actions/projects that are SMART and performance measures/targets/indicators etc should be clearly defined and documented. A timescale should be set for documenting and implementing these arrangements. The Service Standards should be reviewed, updated and aligned to measure the success of delivering service plan objectives.</p> | <b>H</b> | <p>SMART actions have been set within 27 service plans submitted in May and June. These service plans cover all the key actions in the Carlisle Plan.</p> <p>Service planning will continue to be developed over the autumn to link the service plans to the 2018/19 budget setting process. A timescale will be set for documenting and implementing these arrangements in early August.</p> <p>A more detailed template for reporting progress on the Carlisle Plan key actions has been developed to ensure complete coverage of all the actions.</p> <p>The 27 service plans include actions to develop new service standards. As these are developed this year (2017/18), working with the relevant Overview &amp; Scrutiny Panel, the overall number of service standards will be reviewed. Through this work Service Standards will measure the success of delivering services and specific service plan objectives.</p> | Policy and Communications Manager               | <p>04/08/2017</p> <p>27/10/17</p> | Formal follow up to be performed Q4 2017/18 |                 |
| <p>Management should ensure that the performance management arrangements re the Carlisle Plan are effectively implemented and that these are incorporated into the Performance Management Framework.</p>   | <b>M</b> | <p>A new performance framework was agreed by SMT in April (11/4/17).</p> <p>This framework links the Carlisle Plan to Service Plans and the Appraisal Scheme. DMT meetings will be set to include performance management linked to the performance reporting cycle.</p> <p>The Performance Framework will be reviewed at the end of the year alongside the End Of Year Report.</p> <p>In addition new arrangements are being made for the development of a new system of monitoring and taking action on performance using Microsoft Power BI as a tool for collecting and analysing appropriate data.</p>  | Policy & Communications Manager                 | 24/04/2018                        | Formal follow up to be performed Q4 2017/18 |                 |
| <p>a) Management should evidence their review of risks and risks registers in accordance with the risk management policy.</p> <p>b) Corporate Directors should be reminded of their responsibilities for being assured that risks relating to strategic and operational performance management objectives are appropriately identified, assessed and managed.</p>  | <b>M</b> | <p>SMT have continued to review the Corporate Risk Register on a regular cycle during this period and have more recently (6<sup>th</sup> June) reviewed the policy and management arrangements for elevating and managing emerging risks relating to all risks including performance management.</p> <p>Corporate Directors are aware of their responsibilities regarding performance management objectives and any risks arising.</p>  | Deputy Chief Executive / Senior Management Team | Completed                         | Formal follow up to be performed Q4 2017/18 |                 |

| Audit Review   |          |  |  |                                       |   | Assurance Level |
|--|----------|--|--|---------------------------------------|---|-----------------|
| 2016/17 - Performance Management   |          |  |  |                                       |   | Partial         |
| Recommendation   | Priority | Agreed action  | Responsible Manager                                  | Date                                  | Status                                      |                 |
| <p>a) Corporate Directors should be reminded of their responsibilities for being assured that the roles and responsibilities from Executive to staff are clearly defined in the performance management framework.</p> <p>b) Corporate Directors should be reminded of their responsibilities for being assured that performance appraisals are undertaken to ensure that managers and staff carry out their roles and responsibilities relating to performance management effectively.</p> | <b>M</b> | Completed via SMT.   | D Crossley   | Completed                             | Formal follow up to be performed Q4 2017/18 |                 |
| Management should review the performance monitoring reports to ensure that the content includes all areas of performance that impact on the monitoring and decision making on Carlisle Plan priorities in particular including those projects where no updates were available.   | <b>M</b> | <p>A more detailed template for reporting progress on the Carlisle Plan key actions has been developed to ensure complete coverage of all the actions.</p> <p>This template was implemented for the 2016/17 End Of Year Report and will be developed further to include the action for recommendation 1a.</p>  | Policy & Communications Manager                      | 04/08/2017                            | Formal follow up to be performed Q4 2017/18 |                 |
| <p>a) A timescale should be set for the implementation of the new performance management framework.</p> <p>b) Management should communicate and provide training on the new performance management framework to all those involved in performance management to ensure that they are aware of and understand their roles and responsibilities.</p>   | <b>H</b> | <p>A new performance framework was agreed by SMT in April (11/4/17).</p> <p>This framework links the Carlisle Plan to Service Plans and the Appraisal Scheme. DMT meetings will be set to include performance management linked to the performance reporting cycle.</p> <p>The framework has been communicated with service managers through Management Briefing (May 2017).</p> <p>Service managers have received a new template for service planning and guidance on appraisals. A single site for performance management is being developed on the intranet and further developments have been requested through ICT.</p> <p>DMT meetings will be set to include performance management linked to the performance reporting cycle. This will ensure that all those involved in performance management are aware of and understand their roles and responsibilities.</p> | Policy & Communications Manager                      | <p>a) Complete</p> <p>b) 04/08/17</p> | Formal follow up to be performed Q4 2017/18 |                 |
| The corporate guidance and template for service planning should be updated and the format agreed by SMT  | <b>M</b> | Service planning has been introduced and completed. The approach has unique plans for service areas with detail around key areas. The service plans captures and reflects the work priorities and objectives of each service within the directorate and how these link to the Carlisle Plan.   | Policy and Communications Manager                    | Completed                             | Formal follow up to be performed Q4 2017/18 |                 |
| Directorates' performance should be a regular item at DMT meetings and discussions and actions arising from these should be recorded.  | <b>M</b> | DMT meetings will be set to include performance management linked to the performance reporting cycle.  | Policy & Communications Manager / PA Support Manager | 04/08/2017                            | Formal follow up to be performed Q4 2017/18 |                 |

|   |                 |   |  |                   |  |
|---|-----------------|---|--|-------------------|--|
| <p>a) The Policy &amp; Performance Team should perform regular data quality checks on performance reports to provide regular assurance that the performance data is accurate and reliable for decision making.</p> <p>b) A timescale should be set of the finalisation and implementation of the revised data quality checks.</p> | <p><b>M</b></p> | <p>All historic data used in performance reporting will be assessed annually to calculate variance to determine what is considered 'normal' data. Throughout the year the data will be quality checked for erroneous records e.g. missing or duplicate data or for data that falls outside of the 'normal' range.</p> | <p>Policy &amp; Communications Manager</p> | <p>04/08/2017</p> | <p>Formal follow up to be performed Q4 2017/18</p> |
|---|-----------------|---|--|-------------------|--|

| Audit Review  |          |  |  |             |                             | Assurance Level |
|---|----------|--|--|-------------|-----------------------------|-----------------|
| 2016/17 - Physical Security of Premises   |          |  |  |             |                             | Partial         |
| Recommendation  | Priority | Agreed action  | Responsible Manager                                    | Date        | Status                      |                 |
| <p>a) Management should identify, clearly define and communicate to staff the aims and objectives for the physical security of premises.</p> <p>b) Corporate arrangements should be introduced to monitor the delivery of these objectives and regularly report progress on these to senior management.</p> <p>c) Arrangements should be introduced to monitor and report the progress on delivering the Building Services Action Plan.</p> | <b>H</b> | <p>The one objective in relation to the physical security of the Council's premises is to make the premises secure. Financial Procedure Rule (FPR) 4 states clearly that 'all Members and staff have a general responsibility for taking reasonable action to provide for the security of the assets under their control.' In furtherance of this recommendation, however, we have now ensured that the topic is recorded in the Building Services Action Plan and Service Plan for 2017/18. The Manager is responsible for monitoring the achievement of tasks in the action plan and these will be reported through the Directorate Management Team.</p> <p>FPR3.13 provides that Directors should ensure...that assets...are...securely held. To implement this requirement the Council employ an officer(s) with responsibility for security and this requirement is stated in Buildings and Estate Services Manager and Keepers' job descriptions.</p> <p>Section C of the FPRs clearly explains why security of assets is important and are safeguarded and C58 specifies the key controls. C65/69 restates that Directors are responsible for assets under their control – officers are employed to fulfil this responsibility.</p> | Building & Estates Services Manager                    | Implemented | Formal follow up Q4 2017/18 |                 |
| <p>a) A record should be retained of discussions relating to consideration of risks for inclusion in the Directorate's risk register.</p> <p>b) A timescale should be set for the Building and Estates Services Manager to attend the Risk Management training.</p>   | <b>M</b> | <p>If a risk is identified then it is recorded on the Directorate or Corporate Risk Register. Anything deemed a risk, even low likelihood and low impact, should be recorded in this system. However, it is not practical nor a good use of resources to record all discussions which lead to the conclusion that a matter is not a risk.. This would not add any value to our operations.</p> <p>The Council runs annual risk management training which is available to all staff. It is not mandatory and the Building and Estate Services Manager has only been in post since August 2016, however, she will attend the next risk management training session. By virtue of the fact the course is not classed as mandatory then it is appropriate to include this as a recommendation above advisory status as attendance on risk management training is highly unlikely to affect the security of our premises. However, we accept the positive benefit of the BESM attending the said training.</p>  | Corporate Director of Governance & Regulatory Services | Implemented | Formal follow up Q4 2017/18 |                 |
| <p>Guidance on the procedure to report physical security incidents/breaches should be clearly defined, documented and communicated. This guidance should inform and assist staff in identifying such incidents and clearly define how such matters are to be reported and investigated.</p>   | <b>M</b> | <p>We will document the agreed process which currently exists: i.e. if there is a problem, staff advise their manager. In accordance with best practice we are also developing premises specific handbooks to be in place at each premises.</p>  | Building & Estates Services Manager                    | 31/07/2017  | Formal follow up Q4 2017/18 |                 |

| Audit Review   |          |  |                                       |            |                             | Assurance Level |
|--|----------|--|---------------------------------------|------------|-----------------------------|-----------------|
| 2016/17 - Physical Security of Premises  |          |  |                                       |            |                             | Partial         |
| Recommendation   | Priority | Agreed action  | Responsible Manager                   | Date       | Status                      |                 |
| <p>a) Corporate and departmental guidance should be formally documented to direct and inform staff of the Council's physical security arrangements over its premises. This guidance may consist of premises handbooks for each of the operational buildings in the Council's portfolio that detail how security arrangements are implemented including building assessments.</p> <p>b) Once this new guidance is in place a timescale should be set for new staff to be trained on the Council's building security arrangements.</p> | <b>H</b> | <p>When staff commence work at their respective places of work they receive instruction as to how to enter and leave the premises, for example, staff at the Civic Centre are allocated a fob and shown how to access the building and their individual place of work.</p> <p>Staff also know that the public are not allowed to enter the building outside of prescribed hours. This is a clear system which has worked faultlessly, however, we will document it as requested.</p> <p>Training on building security will be provided for all new staff together with updates and refresher training whenever appropriate.</p>  | Building and Estates Services Manager | 30/08/2017 | Formal follow up Q4 2017/18 |                 |
| <p>a) A record should be retained of the Keepers' security checks on the Civic Centre premises and their results. Management should be assured that these checks are undertaken and where security issues are identified these should be escalated and investigated.</p> <p>b) The Building and Estates Services Manager should obtain assurance that physical security checks are performed across all Councils' premises and there is evidence to support that these are undertaken and reported</p>                               | <b>M</b> | <p>a) Noting that there has not been one breach of security other than in exceptional circumstances, we will create an administrative system to deliver this recommendation. The keepers will continue to complete the established log referred to in 5.2.2 but will also now carry out the additional task of filling in a further record sheet confirming that opening and checking the building each morning, locking front and centre side doors etc checks have been carried out. The BESM will also establish a further administrative system so that periodically she reviews the two logs.</p> <p>b) The BESM will cover this area within the proposed building handbooks for individual premises.</p> | Building and Estates Services Manager | 26/08/2017 | Formal follow up Q4 2017/18 |                 |

| Audit Review   |          |  |  |  |   | Assurance Level |
|--|----------|--|--|--|---|-----------------|
| 2017/18 - Record Management Follow Up (H1706)  |          |  |  |  |   | Partial         |
| Recommendation   | Priority | Agreed action  | Responsible Manager                                    | Date   | Status                                      |                 |
| The Corporate Records Management Policy should be updated. Once updated the policy should be formally approved by the Senior Management Team.  | <b>M</b> | The Corporate Records Management Policy will be updated and formally approved by the Senior Management Team  | Policy & Communications Manager                        | 04/07/2017   | Formal follow up to be performed Q4 2017/18 |                 |
| The Retention Schedule 2016 be should be placed on the Intranet alongside the Corporate Records Management Policy, to ensure that all staff can access this information.<br>Both the Records Management Policy & Retention Schedule 2016 should detail the date when they are due to be reviewed and who is responsible for this review. | <b>M</b> | The policy and 2016 schedules will be updated with a review date and responsible reviewer. The schedules will be moved to the intranet site from Project Server.<br>This change will be shared with Management Briefing in August and be followed up with a round of DMTs.   | Policy & Communications Manager                        | 12/7/17<br>Moving schedules; 4/8/17<br>Management Briefing; next available round of DMTs after Management Briefing | Formal follow up to be performed Q4 2017/18 |                 |
| The records management framework should be completed and rolled out to managers and staff as per the Corporate Records Management Policy.  | <b>M</b> | An overarching Information Governance Policy will be developed. This policy will be rolled out to managers with guidance.  | Policy & Communications Manager                        | January-March 2018   | Formal follow up to be performed Q4 2017/18 |                 |
| Management should discuss and agree what information needs to be included within the Constitution with relation to records management and retention of records, once agreed the necessary amendments including relevant links should be agreed and made  | <b>M</b> | Appendix F of the Financial Procedure Rules contain "guidelines" on how long documents should be held and these relate, predominantly, to important information from Financial Services' perspective. The view of the s151 Officer predominates here and the periods stipulated are still current. It is open to the Council, through its retention policy, to have other periods for different types of records. Ideally, they should dovetail and a review will be carried out to ensure that this happens. In short, it may not be appropriate to change the periods stated in the FPRs; if it is, they will. | Corporate Director of Governance & Regulatory Services | 30/09/2017   | Formal follow up to be performed Q4 2017/18 |                 |
| Arrangements should be implemented to give management assurance that service managers are maintaining a Retention Schedule and Disposal Log.   | <b>M</b> | Arrangements will be implemented to give management assurance that service managers are maintaining a Retention Schedule and Disposal Log. This will be followed up with a round of DMTs and individual meetings with service managers.  | Policy & Communications Manager                        | 30/09/2017   | Formal follow up to be performed Q4 2017/18 |                 |
| Senior management should review and delegate responsibility for records management to an appropriately trained member of staff who should be referred to (by post) within the Records Management Policy and within the associated job description.   | <b>M</b> | Responsibility for Information Management has now been subsumed into the Business Management & Development Sub-Group of SMT under the Corporate Director of Governance & Regulatory Services. In addition, and as part of the compliance plan for the EUGDPR (the new Data Protection Regs), the Council will be appointing an Information Officer who will be responsible for creating and developing an appropriate suite of policies and documentation and also ensuring that they are embedded within our organisation.  | Corporate Director of Governance & Regulatory Services | 31/05/2018   | Formal follow up to be performed Q4 2017/18 |                 |



# Report to Audit Committee

Agenda  
Item:

**A.5**

Meeting Date: 27 September 2017  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2017  
Report of: CHIEF FINANCE OFFICER  
Report Number: RD20/17

## Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the first quarter of 2016/17, was received by the Executive on 29 August 2017. The Audit Committee is invited to make any observations on treasury matters which took place during this quarter although it will be noted from the report that this was a relatively quiet period in treasury terms. The Committee is otherwise asked to note the report.

## Recommendations:

That the report be noted

## Recommendations:

That the report be noted.

## Tracking

|                  |                          |
|------------------|--------------------------|
| Executive:       | <b>29 August 2017</b>    |
| Scrutiny:        | <b>Not applicable</b>    |
| Audit Committee: | <b>27 September 2017</b> |

## Report to Executive

Agenda  
Item:

Meeting Date: 29 August 2017  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Within Policy and Budget Framework YES  
Public / Private Public

Title: TREASURY MANAGEMENT: APRIL TO JUNE 2017  
Report of: CHIEF FINANCE OFFICER  
Report Number: RD20/17

### Purpose / Summary:

This report provides the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

### Recommendations:

That this report be received and the Prudential Indicators noted as at the end of June 2017.

### Tracking

|                  |                          |
|------------------|--------------------------|
| Executive:       | <b>29 August 2017</b>    |
| Audit Committee: | <b>27 September 2017</b> |
| Council:         | <b>Not applicable</b>    |

## **1. BACKGROUND**

1.1 The purpose of this report is to inform Members on various Treasury Management issues. The report is set out as follows:

(i) **Appendix A** sets out the schedule of Treasury Transactions for the period April 2017– June 2017

- **Appendix A1** – Treasury Transactions April to June 2017
- **Appendix A2** – Investment Transactions April to June 2017
- **Appendix A3** – Outstanding Investments at June 2017

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2017/18

- **Appendix B1** – Prudential Code background
- **Appendix B2** – Prudential Indicators

## **2. CONSULTATION**

2.1 Consultation to Date:  
None.

2.2 Consultation proposed:  
None.

## **3. CONCLUSION AND REASONS FOR RECOMMENDATIONS**

3.1 That this report is received and the Prudential Indicators noted as at the end of June 2017.

## **4. CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES**

4.1 To ensure that the Council's investments are in line with appropriate policies including the Treasury Management Strategy Statement.

**Contact Officer:** Steven Tickner

**Ext:** 7280

**Appendices  
attached to report:**

**Appendix A1 – Treasury Transactions  
Appendix A2 – Investment Transactions  
Appendix A3 – Outstanding Investments  
Appendix B1 – Prudential Code background  
Appendix B2 – Prudential Indicators**

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

- **None**

**CORPORATE IMPLICATIONS/RISKS:**

**Economic Development** – not applicable

**Governance & Regulatory Services** – The Council has a fiduciary duty to manage its finances properly and the proper reporting of the budget monitoring is part of this process

**Community Services** – not applicable

**Corporate Support & Resources** - Included in the report

TREASURY TRANSACTIONS  
APRIL to JUNE 2017

1. LOANS (DEBT)1.1 Transactions April to June 2017

|                     | Raised   |      | Repaid   |      |
|---------------------|----------|------|----------|------|
|                     | £        | %    | £        | %    |
| P.W.L.B             | 0        |      | 0        | 0    |
| Local Bonds         | 0        |      | 0        | 0    |
| Short Term Loans    | 0        |      | 0        | 0.00 |
| Overnight Borrowing | 0        | 0.00 | 0        | 0.00 |
|                     | <b>0</b> |      | <b>0</b> |      |

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. There have been no transactions in the period.

1.2 Loans (Debt) Outstanding at end of June 2017

|                              | £                 |
|------------------------------|-------------------|
| City of Carlisle Stock Issue | 15,000,000        |
| Short Term Loans             | 12,800            |
|                              | <b>15,012,800</b> |

1.3 Loans Due for Repayment (Short Term)

|                                  | PWLB<br>£ | Overnight<br>£ | Total<br>£    |
|----------------------------------|-----------|----------------|---------------|
| Short Term Debt at end June 2017 | 0         | 0              | 12,800        |
|                                  |           |                | <b>12,800</b> |

## 2 INVESTMENTS

|                        | Made              |           | Repaid            |           |
|------------------------|-------------------|-----------|-------------------|-----------|
|                        | £                 | %         | £                 | %         |
| Short Term Investments | 25,500,000        | 0.20-0.72 | 29,400,000        | 0.20-0.65 |
|                        | <b>25,500,000</b> |           | <b>29,400,000</b> |           |

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at end of June 2017. The weighted average return achieved on all investments as at the end of June was 1.71% (0.52% excluding Property Fund). Average investment balances are lower than usual at this point of the year due to the up-front payment made to the pension fund in April as outlined in the 2017/18 budget that will achieve savings in excess of the loss of interest on investments. Balances are also lower than normal due to payments made to fund flood reinstatement work on Council assets which will be recoverable from insurers once final accounts are submitted. Average balances will therefore increase back to normal levels in future quarters.

## 3 REVENUES COLLECTED

| To: June 2017 |                     | Collected<br>£           | % of Amount<br>Collectable<br>% |
|---------------|---------------------|--------------------------|---------------------------------|
| 2017/18       | Council Tax<br>NNDR | 16,544,313<br>14,090,447 | 29.11<br>31.65                  |
| <b>Total</b>  |                     | <b>30,634,760</b>        | <b>30.23</b>                    |
| 2016/17       | Council Tax<br>NNDR | 15,271,971<br>13,975,280 | 29.05<br>30.82                  |
| <b>Total</b>  |                     | <b>29,247,251</b>        | <b>29.87</b>                    |
| 2015/16       | Council Tax<br>NNDR | 15,101,507<br>13,822,519 | 29.45<br>31.48                  |
| <b>Total</b>  |                     | <b>28,924,025</b>        | <b>30.39</b>                    |

## 4 BANK BALANCE

At end of June 2017, £2,327,508.75 in hand.

This is the Council's bank balance at the end of the last day covered by the report.

5 PERFORMANCE ON TREASURY MANAGEMENT BUDGET  
TO END OF JUNE 2017  
 April –June 2017

|                        | Profiled<br>Budget<br>£000 | Actual<br>£000 | Variance<br>£000 |
|------------------------|----------------------------|----------------|------------------|
| Interest Receivable    | (66)                       | (55)           | 11               |
| Interest Payable       | 190                        | 189            | (1)              |
| Less Rechargeable      | 0                          | 0              | 0                |
|                        | <b>190</b>                 | <b>189</b>     | <b>(1)</b>       |
| Principal Repaid (MRP) | 187                        | 147            | (40)             |
| Debt Management        | 13                         | 13             | 0                |
| <b>NET BALANCE</b>     | <b>324</b>                 | <b>294</b>     | <b>(30)</b>      |

The estimate column is the profiled budget to end of June 2017.

Most budget heads are performing very much in line with the original estimate. There is an under spend on Minimum Revenue Provision (MRP) due to the Capital Financing Requirement being lower at the end of 2016/17 as a result of the final capital outturn position.

The dividends received from the property fund have maintained an income of approximately £38,000 per quarter. The yield to the end of June was 4.50%. The valuation of the investment at the end of June was £3,255,415.

## APPENDIX A2

## INVESTMENT TRANSACTIONS APRIL TO JUNE 2017

| INVESTMENTS MADE    |              |  | INVESTMENTS REPAID  |              |
|---------------------|--------------|--|---------------------|--------------|
|                     | £            |  |                     | £            |
| Federated Investors | 4,000,000.00 |  | Handelsbanken       | 600,000.00   |
| Standard Life       | 2,600,000.00 |  | Bank of Scotland    | 1,500,000.00 |
| Standard Life       | 1,000,000.00 |  | Standard Life       | 1,110,000.00 |
| Bank of Scotland    | 1,500,000.00 |  | Handelsbanken       | 2,600,000.00 |
| Goldman Sachs       | 1,000,000.00 |  | Standard Life       | 350,000.00   |
| Handelsbanken       | 2,200,000.00 |  | Federated Investors | 650,000.00   |
| Standard Life       | 2,000,000.00 |  | Standard Life       | 2,140,000.00 |
| Standard Life       | 1,500,000.00 |  | Barclays            | 1,000,000.00 |
| Federated Investors | 2,000,000.00 |  | Nationwide          | 1,000,000.00 |
| Federated Investors | 2,000,000.00 |  | Federated Investors | 700,000.00   |
| Standard Life       | 3,900,000.00 |  | Standard Life       | 1,500,000.00 |
| Handelsbanken       | 1,800,000.00 |  | Federated Investors | 600,000.00   |
|                     |              |  | Standard Life       | 1,000,000.00 |
|                     |              |  | Federated Investors | 2,050,000.00 |
|                     |              |  | Goldman Sachs       | 2,000,000.00 |
|                     |              |  | Bank of Scotland    | 1,000,000.00 |
|                     |              |  | Barclays            | 1,000,000.00 |
|                     |              |  | Federated Investors | 150,000.00   |
|                     |              |  | Standard Life       | 2,300,000.00 |
|                     |              |  | Standard Life       | 1,600,000.00 |
|                     |              |  | Federated Investors | 3,850,000.00 |
|                     |              |  | Handelsbanken       | 700,000.00   |
| TOTAL               | 25,500,000   |  |                     | 29,400,000   |
|                     |              |  | Bfwd                | 14,729,873   |
|                     |              |  | Paid                | 25,500,000   |
|                     |              |  | Repaid              | 29,400,000   |
|                     |              |  | Total               | 10,829,873   |
|                     |              |  | CCLA                | 25,542       |
|                     |              |  | Total               | 10,855,415   |

### Outstanding Investments as at 30 June 2017

| Category | Borrower                         | Principal (£)     | Interest Rate | Start Date | Maturity Date | Days to maturity at execution | Total Interest Expected (£) |
|----------|----------------------------------|-------------------|---------------|------------|---------------|-------------------------------|-----------------------------|
| O        | Svenska Handelsbanken            | 1,100,000         | 0.20%         |            |               |                               | 0                           |
| R        | Bank of Scotland                 | 1,000,000         | 0.55%         | 20/03/2017 | 20/09/2017    | 184                           | 2,773                       |
| R        | Goldman Sachs International Bank | 1,000,000         | 0.77%         | 30/03/2017 | 29/09/2017    | 183                           | 3,861                       |
| R        | Bank of Scotland                 | 1,500,000         | 0.55%         | 13/04/2017 | 13/10/2017    | 183                           | 4,136                       |
| R        | Goldman Sachs International Bank | 1,000,000         | 0.72%         | 13/04/2017 | 13/10/2017    | 183                           | 3,610                       |
| R        | Standard Chartered               | 2,000,000         | 0.44%         | 02/05/2017 | 02/11/2017    | 184                           | 4,436                       |
|          | <b>Total Investments</b>         | <b>£7,600,000</b> | <b>0.52%</b>  |            |               | <b>183</b>                    | <b>£18,815</b>              |

| Borrower           | Current Market Value (£) | Current Yield | Start Date | Initial Investment (£) | Initial Market Value (£) | Unrealised Growth (£) | % Growth |
|--------------------|--------------------------|---------------|------------|------------------------|--------------------------|-----------------------|----------|
| CCLA Property Fund | 3,255,415                | 4.50%         | 31/07/2014 | 3,000,000              | 2,836,896                | 255,415               | 8.5%     |

#### 1. Entry Costs were charged against Treasury Management Budget in 2014/15

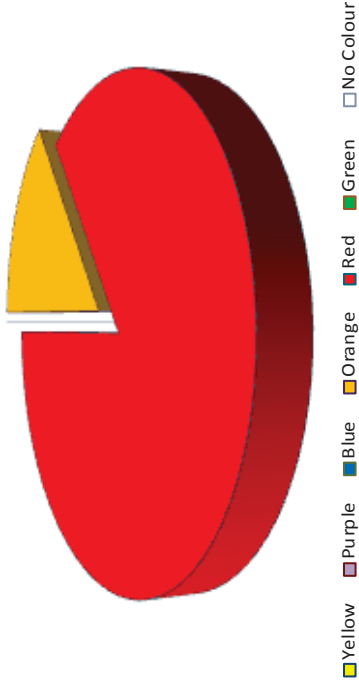
N.B Interest is recognised in the appropriate financial year in which it is due.

# Investment Summary

| % of Portfolio |        | Amount    | % of Colour in Calls | Amount of Colour in Calls | % of Call in Portfolio | WARoR | WAM | Weighted Average Rate of Return | Weighted Average Days to Maturity | Weighted Average Maturity from Execution | WAM at Execution |
|----------------|--------|-----------|----------------------|---------------------------|------------------------|-------|-----|---------------------------------|-----------------------------------|--|------------------|
| Yellow         | 0.00%  | -         | 0.00%                | -                         | 0.00%                  | 0.00% | 0   | 0.00%                           | 0                                 | 0  |                  |
| Purple         | 0.00%  | -         | 0.00%                | -                         | 0.00%                  | 0.00% | 0   | 0.00%                           | 0                                 | 0  |                  |
| Blue           | 0.00%  | -         | 0.00%                | -                         | 0.00%                  | 0.00% | 0   | 0.00%                           | 0                                 | 0  |                  |
| Orange         | 14.47% | 1,100,000 | 100.00%              | 1,100,000                 | 14.47%                 | 0.20% | 0   | 0.20%                           | 0                                 | 0  |                  |
| Red            | 85.53% | 6,500,000 | 0.00%                | -                         | 0.00%                  | 0.58% | 105 | 0.58%                           | 105                               | 183                                      |                  |
| Green          | 0.00%  | -         | 0.00%                | -                         | 0.00%                  | 0.00% | 0   | 0.00%                           | 0                                 | 0  |                  |
| No Colour      | 0.00%  | -         | 0.00%                | -                         | 0.00%                  | 0.00% | 0   | 0.00%                           | 0                                 | 0  |                  |
| 100.00%        |        | 7,600,000 | 14.47%               | 1,100,000                 | 14.47%                 | 0.52% | 90  | 0.52%                           | 90                                | 157                                      |                  |

| Sector's Suggested Criteria |                |
|-----------------------------|----------------|
| Y                           | Up to 5 Years  |
| P                           | Up to 2 Years  |
| B                           | Up to 1 Year   |
| O                           | Up to 1 Year   |
| R                           | Up to 6 months |
| G                           | Up to 3 months |
| N/C                         | No Colour      |

Portfolio Composition by Sector's Suggested Lending Criteria



| Risk Score for Jun-17 Mar-17 Dec-16 Sep-16 Colour (1 = Low, 7 = High) |     |     |     |     |     |     |     |     |     |     |     |
|---|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 1   | 0.0 | 0.0 | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 2   | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 3   | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 4   | 0.6 | 0.6 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.8 | 0.8 |
| 5   | 4.3 | 4.3 | 4.6 | 3.7 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 6   | 0.0 | 0.0 | 0.0 | 1.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 7   | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
|   |     | 4.2 | 4.9 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 | 4.8 |

Normal' Risk Score 3.5 3.5 3.5 3.5

### THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

#### 1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

#### 2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision making process.
- 2.2 Appendix B2 sets out the latest performance indicators for the current year.

#### 3. Supported and Unsupported (or Prudential) Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Differing types of government control operated over the years but since 1990 these had been termed credit approvals. The level of an authority's previous years' credit approvals is also included in the revenue support grant (RSG) allocation so that ultimately any borrowing is 'supported' via RSG.

- 3.2 This element of supported borrowing is still part of the RSG system although the City Council has previously resolved that its capital borrowing would be limited to its level of supported borrowing. In 2017/18 this is estimated to be Nil.
- 3.3 However, there may be circumstances in which the City Council will wish to undertake some prudential borrowing and the issues surrounding unsupported and supported borrowing are discussed below.
- 3.4 Authorities are permitted to borrow in excess of their supported borrowing allocation. This is referred to as prudential or unsupported borrowing. This can be undertaken so long as the Council can demonstrate that the revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, capital expenditure, and treasury management. Set out below are the indicators for 2017/18 to date as detailed in the Treasury Management Strategy Statement for 2017/18.

**(a) Affordability**

|   | 2017/18<br>Original<br>Estimate<br>£ | 2017/18<br>Revised<br>Estimate<br>£ |
|---|--------------------------------------|-------------------------------------|
| <b>(i) Capital Expenditure</b>  | 3,182,000                            | 9,126,800                           |
| <b>(ii) Financing Costs</b><br>Total Financing Costs  | 1,244,000                            | 1,223,000                           |
| <b>(iii) Net Revenue Stream</b><br>Funding from Govt Grants/Local Taxpayers   | 12,047,000                           | 12,047,000                          |
| <b>(iv) Ratio of Financing Costs to Net Revenue Stream</b><br>The figures monitor financing costs as a proportion of the total revenue stream from government grants and local taxpayers. The increase in the ratio of financing costs is mainly attributable to the forecast reduction in investment income. | 10.33%                               | 10.15%                              |
| <b>(v) Incremental Impact on Council Tax</b><br>This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.   | (1.36)                               | 3.00                                |
| <b>(vi) Authorised Borrowing Limit</b><br>Maximum Level of Borrowing and Other Long term Liabilities  | 37,600,000                           | 37,600,000                          |
|   | 15,012,800                           | 15,012,800                          |
| The authorised borrowing limit is determined by Council prior to the start of the financial year. The limit must not be altered without agreement by Council and should not be exceeded under any foreseeable circumstances.  |                                      |                                     |

|  | 2017/18<br>Original<br>Estimate<br>£ | 2017/18<br>Revised<br>Estimate<br>£ |
|--|--------------------------------------|-------------------------------------|
| <b>(vii) Operational Borrowing Limit</b><br>Maximum Level of Borrowing and Other Long term Liabilities<br>The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis. | 32,600,000                           | 32,600,000                          |
|  | 15,012,800                           | 15,012,800                          |
| <b>(viii) Capital Financing Requirement (CFR)</b><br>As at 31 March<br>The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.   | 12,645,000                           | n/a                                 |

**(b) Prudence and Sustainability**

|  | 2017/18<br>Original<br>£ |
|--|--------------------------|
| <b>(i) New Borrowing to Date</b><br>No Long Term Borrowing has been taken in 2017/18 to date   | 0                        |
| <b>(ii) Percentage of Fixed Rate Long Term Borrowing</b><br>at June 2017   | 100%                     |
| <b>(iii) Percentage of Variable Rate Long Term Borrowing</b><br>at June 2017<br>Prudent limits for both fixed and variable rate exposure have been set at 100%. This is due to the limited flexibility available to the authority in the context of its overall outstanding borrowing requirement.   | 0%                       |
| <b>(iv) Minimum Level of Investments Classified as Specified</b><br>Level of Specified Investments as at June 2017<br><br>As part of the Investment Strategy for 2017/18, the Council set a minimum level of 50% for its specified as opposed to non specified investments. The two categories of investment were defined as part of the Strategy but for the City Council non specified investments will presently refer mainly to either investments of over one year in duration or investments placed with building societies that do not possess an appropriate credit rating. These tend to be the smaller building societies. | 50.00%<br>100.00%        |

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## **EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 29 AUGUST 2017**

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**EX.88/17      TREASURY MANAGEMENT – APRIL TO JUNE 2017**  
(Non Key Decision)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**      Business and Transformation

### **Subject Matter**

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder presented report RD.20/17 providing the regular quarterly report on Treasury Transactions including the requirements of the Prudential Code.

The Deputy Leader indicated that most budget heads were performing very much in line with the original estimate. There was an under spend on Minimum Revenue Provision (MRP) due to the Capital Financing Requirement being lower at the end of 2016/17 as a result of the final capital outturn position.

The dividends received from the Property Fund had maintained an income of approximately £38,000 per quarter, with the yield to the end of June being 4.50%. The valuation of the investment at the end of June was £3,255,415.

The Deputy Leader, and Finance, Governance and Resources Portfolio Holder formally moved, and the Leader formally seconded that the Executive receive the report and note the Prudential Indicators as at the end of June 2017.

**Summary of options rejected**      None

### **DECISION**

That Report RD.20/17 be received and the Prudential Indicators noted as at the end of June 2017.

### **Reasons for Decision**

To inform the Executive of various Treasury Management issues

