

# AGENDA

## Audit Committee

Friday, 17 March 2023 AT 10:00  
In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG

**A training session for members of the Committee will commence at  
9:15am in the Flensburg Room.**

### **APOLOGIES FOR ABSENCE**

To receive apologies for absence and notification of substitutions

### **DECLARATIONS OF INTEREST**

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

### **PUBLIC AND PRESS**

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

### **MINUTES OF THE PREVIOUS MEETING**

To note that Council, on 3 January 2023, received and adopted the Minutes of the meeting held on 8 December 2022. The Minutes will be signed by the Chair.

[Copy minutes in Minute Book Volume 49(4)]

## **PART A**

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

### **A.1 MINUTES OF THE PEOPLE PANEL**

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

(Copy Minutes to follow)

### **A.2 EXTERNAL AUDITOR'S ANNUAL REPORT ON CARLISLE CITY COUNCIL**

Grant Thornton to provide a verbal update on the Auditor's Annual Report on Carlisle City Council.

(Copy Report herewith)

### **A.3 VALUE FOR MONEY CONCLUSION**

External Auditor to provide a verbal update.

### **A.4 INTERNAL AUDIT PROGRESS REPORT 2022/23 (DECEMBER 2022 - MARCH 2023) 5 - 16**

The Corporate Director of Finance and Resources to submit a report providing an overview of the work carried out by Internal Audit between December 2022 and March 2023.

(Copy Report RD.70/23 herewith)

The following Final Audit Reports are appended for consideration:

### **A.4 INTERNAL AUDIT REPORT - NATIONAL NON-DOMESTIC RATES 17 -**

**(i)**

**34**

(Copy Report RD.71/22 herewith)

<b>A.4</b>	<b><u>INTERNAL AUDIT REPORT - NEIGHBOURHOOD SERVICES - (CULTURE)</u></b>	<b>35 -</b>
<b>(ii)</b>	<b><u>FOLLOW UP</u></b>	<b>56</b>
	(Copy Report RD.72/22 herewith)	
<b>A.4</b>	<b><u>INTERNAL AUDIT REPORT - CAR PARKING INCOME</u></b>	<b>57 -</b>
<b>(iii)</b>		<b>76</b>
	(Copy Report RD.73/22 herewith)	
<b>A.4</b>	<b><u>INTERNAL AUDIT REPORT - TOWN DEAL (BUSINESS ASSURANCE</u></b>	
<b>(iv)</b>	<b><u>FRAMEWORK)</u></b>	
	(Copy Report RD.74/22 to follow)	
<b>A.5</b>	<b><u>AUDIT COMMITTEE'S ANNUAL REPORT</u></b>	<b>77 -</b>
		<b>90</b>
	The Chair of the Audit Committee to submit a report summarising the work undertaken by the Audit Committee during 2022/23.	
	(Copy Report RD.64/23 herewith)	
<b>A.6</b>	<b><u>TREASURY MANAGEMENT OCTOBER TO DECEMBER 2022</u></b>	<b>91 -</b>
		<b>104</b>
	The Corporate Director of Finance and Resources to submit a report providing the regular quarterly summary of Treasury Management Transactions. The matter was considered by the Executive on 20 February.	
	(Copy Report RD.60/23 and Minute Excerpt herewith)	
<b>A.7</b>	<b><u>INTERNAL AUDIT ANNUAL REPORT 2022/23</u></b>	<b>105 -</b>
		<b>116</b>
	The Designated Head of Internal Audit to submit a summary of the outcomes of the work undertaken by Internal Audit for Carlisle City Council in 2022/23 and includes the Designated Head of Internal Audit's opinion on the effectiveness of the Council's arrangements for risk management, governance, and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).	
	(Copy Report RD.65/23 herewith)	

**A.8 DRAFT ANNUAL GOVERNANCE STATEMENT AND NARRATIVE STATEMENT**

**117 -  
150**

The Corporate Director of Finance and Resources to submit the draft Annual Governance Statement and draft Narrative Statement that will be included in the City Council's Statement of Accounts for 2022/23.  
(Copy report RD.75/23 herewith).

**PART B**

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

**Members of the Audit Committee**

**Conservative** - Mrs Finlayson (Vice Chair), Lishman, Mrs Mitchell, Collier (sub) McKerrell, (sub), Shepherd (sub)

**Labour** – Birks, Patrick, Alcroft (sub), Dr Tickner (sub)

**Independent and Liberal Democrat** - Bomford (Chair), Pickstone (sub)  
**Independent** - Betton

Enquiries, requests for reports, background papers etc to:  
[democraticservices@carlisle.gov.uk](mailto:democraticservices@carlisle.gov.uk)

Meeting Date: 17 March 2023  
Portfolio: Finance, Governance and Resources  
Key Decision: Not applicable  
Within Policy and Budget Framework YES  
Public / Private Public

Title: INTERNAL AUDIT PROGRESS 2022/23 (DECEMBER-MARCH)  
Report of: CORPORATE DIRECTOR FINANCE & RESOURCES  
Report Number: RD70/22

## Purpose / Summary:

This report provides an overview of the work carried out by Internal Audit between December and March of 2022/23. The report also includes information on progress against previous audit recommendations.

## Recommendations:

The Committee is requested to

- i) note the progress against the audit plan for 2022/23;
- ii) receive the final audit assignments as outlined in paragraph 2.2;
- iii) note the progress made on audit recommendations to date outlined in Appendix 1.

## Tracking

Audit Committee:	<b>16 March 2023</b>
Scrutiny Panel:	<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 the Audit Committee over the adequacy and effectiveness of management's arrangements for governance, risk management and internal control.

## **2. PROGRESS AGAINST AUDIT PLAN**

- 2.1 The final outcomes against the audit plan, including performance indicators are recorded in the draft Internal Audit Annual Report (RD65/22).
- 2.2 Four planned pieces of work were finalised in the period.

<b>Review Area</b>	<b>Assurance Level</b>
National Non Domestic Rates	Reasonable
Neighbourhood Services (Culture)	Reasonable
Car Parking Income	Reasonable
Town Deal - Business Assurance Framework (To follow)	Reasonable

### **Outstanding Reviews**

- 2.3 An audit of building maintenance is still in progress and work on Property Income (Follow-up) and annual fraud review are due to start in March. All three reviews are expected to be finalised prior to the cessation of the Council on 31<sup>st</sup> March 2023. The findings of these reviews will be reported to the first meeting of Cumberland Council's Audit Committee (the findings of which will all be equally relevant to the new authority), with copies of final reports circulated to the Carlisle Audit Committee Members for information.

### **ICT Services**

- 2.4 It was agreed with Senior Management that the proposed formal follow-up of ICT recommendations would not currently add value, as the majority of actions would now be reviewed as part of the LGR process. Progress on recommendations has been reviewed informally as part of Internal Audit's routine quarterly follow-up of agreed actions (See section 3).

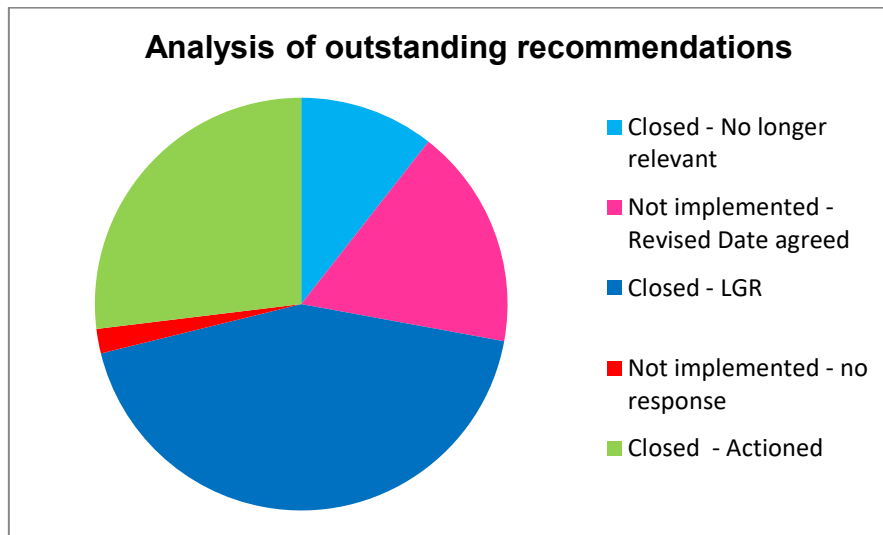
- 2.5 A Local Government Reorganisation ICT workstream consisting of ICT managers across Cumbria, meet once a week. Robust governance arrangements are in place to manage, approve and assign ICT work packages in the lead up to vesting day and beyond.
- 2.6 Following audits of Cyber Security and ICT Services in 2022, there were five high grade recommendations outstanding. One has been actioned and four remain live. Ownership of the recommendations remains with Carlisle City Council until 1st April, although they are unlikely to be actioned before this. Management have informed the LGR workstream on all key ICT issues, including the nature of the four high-grade recommendations and they are all being managed appropriately.

### **Sustainable Warmth Grant**

- 2.7 An Audit of the Sustainable Warmth Grant was reported to the previous audit committee. An update on the project has been reported to the People Scrutiny Panel on 23 February 2023, outlining progress made, with approximately £1M expenditure now incurred, with further commitments in place. While the Council is unlikely to utilise all the expenditure on the project, it is looking to maximise use of the grant and is in negotiation for an extension with Department for Energy Security & Net Zero. If the extension is renewed Internal Audit will liaise with responsible officers to determine what further assurances are required for ongoing delivery of this project.

## **3 AUDIT RECOMMENDATIONS**

- 3.1 **Appendix 1** shows a summary position of outstanding audit recommendations and progress made against implementing these. Once the agreed implementation date has passed, Internal Audit asks 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.
- 3.2 As reported at the previous audit committee meeting, due to difficulties in obtaining responses and progressing agreed actions, Internal Audit has met individually with responsible managers for each outstanding recommendation, the outcome of which is included in Appendix 1 and summarised below.



3.3 45 out 106 recommendations followed up will not be completed prior to 31 March, as a result of LGR. These will be reviewed and included in a composite schedule of outstanding actions inherited by Cumberland Council and subject to ongoing review.

3.4 28 recommendations were found to have been fully implemented and incomplete or no responses were only recorded for 2 recommendations, indicating significant improvements to responses as a result of the work undertaken by Internal Audit during the period.

#### **4. RISKS**

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

#### **5. CONSULTATION**

5.1 not applicable

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

The Committee is requested to

- i) note the progress against the audit plan for 2022/23;
- ii) receive the final audit assignments as outlined in paragraph 2.3;
- iii) note the progress made on audit recommendations to date outlined in Appendix 1.

#### **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: Michael Roper**

**Ext: 7520**

**Appendices attached to report:**

1. Internal Audit Report – National Non Domestic Rates (RD.71/22)
2. Internal Audit Report – Neighbourhood Services (Culture) Follow Up
3. Internal Audit – Car Parking Income
4. Internal Audit – Town Deal (Business Assurance Framework)

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

- **None**

**CORPORATE IMPLICATIONS/RISKS:**

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

**Finance** – Contained within the report

**Equality** – **None**

**Information Governance** – **None**



# Appendix A

Ass Code	Audit	Directorate	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Status
G2005	Payroll (Reasonable)	Community Services	Recommendation 1 – Review of staff procedure notes, and wider suite of policies, guidance documents and forms on the intranet to ensure alignment to financial regulations, clarity for new members of staff, and regular update.	M	Service cannot wholly demonstrate that they have interpreted and applied the financial regulations that relate to payroll. / New staff are unclear on how to run payroll at short notice. / Key forms and documents are not current	Ensure that there are clear procedure and guidance documents for payroll staff, that align to financial regulations. Ensure that documents and forms are updated on the intranet and dated so that all staff know they are using/viewing the most update version.	HR Manager /Payroll & i-Trent Supervisor	31-Mar-22	30.09.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2005	Payroll (Reasonable)	Community Services	Recommendation 2 – Review the critical service recovery arrangements to ensure that there are fully tested and documented planning arrangements in place for all key scenarios, that can be actioned at short notice.	M	Payroll unable to be run. Comprehensive planning not in place for alternative arrangements.	Review the critical service recovery arrangements and agree on a plan and ensure it is documented.	Deputy TC & CE /HR Manager /Payroll & i-Trent Supervisor	31-Dec-21	30.09.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
D2001	Community Centres (Reasonable)	Community Services	Recommendation 2 - To develop a training program to provide updated Trustee training for elected members and appointees who have roles on the various Charitable Trust Boards	M	Risk of inappropriate and inconsistent Governance arrangements across the Community Centres	Contact APSE to arrange Trustee training for elected members and appointees who have roles on Charitable Trust Boards.	Healthy City Team Manager	30/12/21	30.09.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
D2001	Community Centres (Reasonable)	Community Services	Recommendation 7 – To ensure that updated lease agreements are put into place with appropriate maintenance and improvement criteria clauses incorporated.	M	Risk of Council Assets not being utilised and managed in an appropriate manner as set out in the SLA and funding arrangements	Work with the property team to ensure that update lease agreements are in place. /Implement monitoring of lease to under lease expiry dates.	Property Services Manager	01/04/22	30.09.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
I2201	Absence Management	Community Services	Recommendation 1 – Training methods to be proportionate and effective use of HR Officers' time.	M	Improving attendance policy is not being followed because service managers have not received satisfactory training.	Training delivery methods will be reviewed and agreed in conjunction with the Head of Workforce Development to ensure the delivery methods are proportionate taking account of modern delivery methods and the transition to the new authority and likely new absence management policy / procedures.	HR Manager / Head of Workforce Development	31 August 2022		Recommendation evidenced as actioned (Closed)
I2201	Absence Management	Community Services	Recommendation 2 – Management to regularly document confirmation of document disposal in line with the retention schedule.	M	Breach of UK GDPR and possibility of sanctions.	HR are in the process of reviewing data held and managing and disposing of data in accordance with the retention schedule. This is a medium-term project underpinned by the requirements of the pending TUPE transfer	HR Manager	31 January 2023	30.09.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
I2201	Absence Management	Community Services	Recommendation 3 – HR to periodically remind services that no personal information relating to absence management should be retained locally.	M	Breach of UK GDPR and possibility of sanctions.	HR has added this requirement to the list of regular reminders to managers which are sent quarterly.	HR Manager	31/07/2023 And quarterly thereafter.	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
J2104	Procurement (Counter-Fraud)	Finance & Resources	Recommendation 5 – Recruitment processes should be adhered to, including the collection of appropriate references.	Medium	Council employs individual previously engaged in unethical or fraudulent behaviour.	To revisit process with team and instigate monitoring with immediate effect. Additional resourcing to be identified to support role.	Head of HR and Payroll	25 May 2022	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
J2104	Procurement (Counter-Fraud)	Finance & Resources	Recommendation 6 – The Council should consider whether posts attracting a degree of fiscal responsibility should be subject to disclosure checks.	Medium	Council employs individual previously engaged in unethical or fraudulent behaviour.	All new employees offered roles from 1st June will be subject to basic disclosure checks as minimum.	Head of HR and Payroll	01 June 2022		Recommendation evidenced as actioned (Closed)
B2103	Recycling (Perf Info)	Neighbourhood Services	Recommendation 1: Guidance should be documented for all tasks relating to recycling performance information and should include relevant records management metadata (review date, version control and author).	M	If procedures are not clearly documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur that may lead to inaccurate information or reputational damage to the Council.	Most of this has already been completed. There is just the Waste Data Flow procedure left to complete.	Team Manager – Technical Services	30 June 2022		Recommendation evidenced as actioned (Closed)
D2101	Development Management (Complaints)	Economic Development	Recommendation 1 - The SharePoint complaints tracker for development management complaints should be set up along with documented guidance for both staff and public to use.	H	If processes and procedures are not clearly set up and documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur that may lead to inaccurate information or financial or reputational damage to the Council.	Set up the Share Point system and train relevant staff on the procedures along with guidance	Head of Development Management	31 June 2022		No response to update request
D2101	Development Management (Complaints)	Economic Development	Recommendation 2 - Development Management should publish their complaints document retention information in the Council's Document Retention Schedule and in their privacy notice which should be published on the Council's website as soon as possible.	M	Failure to adhere to all relevant statutory requirements and breach of data protection legislation through failure to adequately notify individuals on how data will be processed.	Draft policy requires revisions and uploading to website in liaison with the Council's DPO	Head of Development Management	31 August 2022		No response to update request

Ass Code	Audit	Directorate	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Status
B2201	Bereavement Services	Community Services	All procedures should be reviewed and brought up to date where appropriate. They should include version control, date, author, and a review date.	M	If procedures are not clearly documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur this may lead to complaints and reputational damage to the Council.	Review and agree a list of service procedures/ Completed documented procedures in place for Bereavement Services with appropriate version control, date, author and review dates	Bereavement Services Manager	16.01.23	30.09.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
B2201	Bereavement Services	Community Services	Risks should be regularly reviewed in line with the Corporate Risk Management and Assurance Framework.	M	If risks are not regularly monitored there is a risk that Council priorities are not achieved / supported.	Risks reviewed on a quarterly basis in line with the Corporate Risk Management and Assurance Framework.	Bereavement Services Manager	31.01.23	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
B2201	Bereavement Services	Community Services	The 2022/23 fees and charges for Bereavement Services should be uploaded to the Council's Website.	M	There is a risk of reputational damage to the Council and customer complaints if fees and charges on the website are not up to date.	IT contacted to request access & guidance to upload 2022/23 fees & charges.	Bereavement Services Manager	16.12.22		Recommendation evidenced as actioned (Closed)
B2201	Bereavement Services	Community Services	In light of the upcoming Local Government Reorganisation (LGR) it is recommended that an appropriate action plan be agreed by both service managers to cover how sensitive information will be securely shared if required.	M	Non-compliance with GDPR legislation resulting in service user details being shared without permission.	Data sharing agreement completed by both service managers to cover how sensitive information will be securely shared if required prior to 1/04/2023.	Bereavement Services Manager	16.12.22	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
B2201	Bereavement Services	Community Services	The following should be completed to ensure compliance with GDPR legislation: - Both paper and electronic document retention should be reviewed by the service to ensure compliance with current regulations. The documentation retention schedule and privacy statement should be aligned to this. A document destruction/ disposal log should be introduced/ -All documentation containing personal data should be stored securely/ Due to LGR it is recommended that the service contacts Information Governance for guidance as to how best to cover the council when sharing data with third parties to ensure compliance with GDPR legislation/ - a review of all forms used by the service should be undertaken to ensure that all documentation covers the Council in relating to GDPR and data sharing.	M	Non-compliance with GDPR legislation and failure to control records management.	Document retention is reviewed and aligned to legislation and the retention scheduled and privacy statement updated accordingly/ -Implement A document storage procedure/ Meeting to be set up with Data Protection/ Information Governance for guidance and actioning of this recommendation/ All forms to be reviewed and updated to cover the Council in relation to GDPR and data sharing	Bereavement Services Manager	31.01.23/ 31.01.23/ 16.12.22/ 31.01.22	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
B2201	Bereavement Services	Community Services	ITC Services should be advised of the location of the datacentre and where the data is stored (geo location) for the BACAS system.	M	Non-compliance with GDPR legislation and failure to control records management.	Request information from ClearSkies and advise ITC of outcome to ensure that this is satisfactory.	Bereavement Services Manager	31.12.22	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
B2201	Bereavement Services	Community Services	The Bereavement Services Manager should be set up with a user ID for BACAS and complete system training in order to be able to use the system efficiently to support the team when required.	M	Customer Service may be impacted in the event of staff absence / shortages.	User ID set up and training undertaken by BACAS.	Bereavement Services Manager	30.11.22	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
B2201	Bereavement Services	Community Services	A review of the team's training should be completed to ensure that all relevant areas have been covered and that new team members received all the appropriate training to support them in their roles.	M	Failure to identify and act upon ways to improve service delivery.	Team training reviewed and a team training plan agreed for 2023/24.	Bereavement Services Manager	31.03.23		Recommendation evidenced as actioned (Closed)
B2201	Bereavement Services	Community Services	All health and safety risk assessments, safe systems of working and the Premises Handbook should be reviewed and brought up to date as appropriate.	M	Failure to meet Council's procedures / guidance on health & safety for the service which may lead to staff and members of the public being put at risk	Review and update health and safety risk assessments and safe systems of work/ Review and update the Premises Handbook in conjunction with Property Services to clearly define roles and responsibilities	Bereavement Services Manager	31.03.23	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
B2201	Bereavement Services	Community Services	The Surveillance Camera Operating Procedure should be completed. The signage should be updated in line with the new Cumberland Council's Surveillance Policy.	M	Non-compliance with council procedures and GDPR legislation.	The Surveillance Camera Operating Procedure completed, documented and signage updated.	Bereavement Services Manager	28.02.23	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
B2201	Bereavement Services	Community Services	The medical referees should provide assurances that appropriate lone working procedures are in place when they are visiting Council premises out of hours.	M	Non-compliance with Council procedures and failure to be aware of all factors affecting the facilities.	A copy of the medical referees lone working procedures provided.	Bereavement Services Manager	31.01.23	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
B2201	Bereavement Services	Community Services	The fob access report should be reviewed and anyone who no longer requires access should be removed.	M	Unauthorised access to the Council premises.	Fob access report reviewed, and access removed for all individuals who no longer require access.	Bereavement Services Manager	30.11.22	31.01.23	Recommendation evidenced as actioned (Closed)
B2101	Sands Centre Development	Neighbourhood Services	1 - Review reasons for overdue actions	M	Actions not reviewed on a timely basis	Actions recorded (with agreed deadlines) using the MS Planner will be reviewed at the start of each SCRIPT meeting	DCEO	10th May 2022 onwards		Recommendation no longer relevant due to change in circumstances (Closed)
B2101	Sands Centre Development	Neighbourhood Services	2 - Record acceptance of assigned responsibilities by the Project Board and wider project team members.	M	Reduced accountability and transparency of individual and group performance	A review of the 'assigned responsibilities' will be undertaken and a record of acceptance will be made.	DCEO	24th May 2022		Recommendation no longer relevant due to change in circumstances (Closed)
B2101	Sands Centre Development	Neighbourhood Services	3 - Project Board members to formally record regular review and agreement of the project risk register	M	Key risks escalate and Project Board members are unaware	A review of the project risks will be undertaken quarterly (or at more frequent intervals if necessary) and recorded at SCRIPT.	DCEO	24th May 2022		Recommendation no longer relevant due to change in circumstances (Closed)

Ass Code	Audit	Directorate	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Status
M2002	Partnership VFM (Reasonable)	Community Services	Recommendation 2 – Once an approved strategy with agreed shared objectives and priorities has been established a framework for measuring progress against objectives should be designed and monitored by the Partnership on a regular basis, using a combination of narrative and quantitative measures	M	Failure to ensure suitable progress being made to achieve priorities.	Options to be discussed as part of preparation of Strategy, including potential Task and Finish Group and further consultation with Internal Audit.	Partnership Manager	31 June 2021		Recommendation evidenced as actioned (Closed)
A2202	Corporate Internal Controls	Corporate Support	Recommendation 1 - A review of the assignment of modules within Skillgate should be undertaken to maximise efficient and consistent allocation of modules.	M	Officers do not get assigned relevant training.	Managers are responsible for selecting the relevant modules from a list of regulatory identified by OD. The OD team will prompt selection of appropriate modules to ensure compliance. Changes have already been made to include those highlighted within this report	Head of Workforce Development	Actioned - 09/22		Recommendation evidenced as actioned (Closed)
G2105	Creditors	Finance & Resources	Recommendation 6 – Oversight of bank detail changes to verify the robustness of checks carried out.	H	Controls in place are not robust enough to detect fraudulent payments.	A review of the process for bank detail changes will be undertaken	Finance Officer (Systems Control and Development)	30 September 2022	30.09.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2004	Income (Reasonable)	Finance & Resources	Recommendation 2 – Arrangements, authorisation and limits for holding income within individual service areas should be formalised and documented.	M	Inadequate governance leading to non-compliance with Financial Procedure Rule requirements resulting in inconsistent practices and increased exposure to the risk of theft and fraud	Scheme of Delegations to be updated to include arrangements, authorisation and limits for holding income.	Financial Services Manager	30-Sep-21	30.09.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2004	Income (Reasonable)	Finance & Resources	Recommendation 3 – PCI-DSS non-compliance should be subject to formal risk assessment activity to identify and facilitate implementation of required controls, action planning and sources of assurance (both short and long-term).	H	Failure to comply with Payment Card Industry (PCI) Security Standards leading to loss or compromised data and resulting in fines or sanctions.	A risk assessment be completed for PCI-DSS non-compliance and added to the Corporate Risk Register	Financial Services Manager / Customer Services Manager	31-Dec-21	30.06.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
B2202	Fleet Management Strategy	Community Services	Recommendation 1 – Put an arrangement in place to demonstrate positive outcomes of key strategic objectives through seeking regular, verifiable, documented evidence.	M	Key service objectives are not being achieved and management are unaware.	Fleet Management Strategy to be refreshed/ Core KPI to be identified/ Quarterly internal reporting of performance against core KPI to be established	Fleet & Depot Manager	October 2022/ December 2022/ March 2023		Recommendation evidenced as actioned (Closed)
B2202	Fleet Management Strategy	Community Services	Recommendation 2 – Put an arrangement in place to verify compliance with relevant legislation and DVSA general guidance.	M	Possible sanctions through non-compliance with relevant legislation.	Monthly check-sheet to be developed/ Wider reporting of performance to be picked up as part of quarterly internal reporting above	Fleet & Depot Manager	December 2022/ March 2023		Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
B2202	Fleet Management Strategy	Community Services	Recommendation 3 – Review oversight arrangements for driving licence checks.	M	Possible sanctions through non-compliance with relevant legislation.	Reminder to be sent to all managers to reinforce their responsibilities for managing road risk for their staff in line with current policy, and to reference further information and advice eg Driver Handbook/ Driving licence checks is identified on the delivery/ risk plan for LCP	Fleet & Depot Manager	October 2022/ March 2023		Recommendation evidenced as actioned (Closed)
B2202	Fleet Management Strategy	Community Services	Recommendation 4 – Fleet Management to carry out a full review of driving assessment management.	M	Staff or member of the public suffers loss due to driver not operating Council vehicle effectively.	Trained assessors conduct driving assessments and document their findings. Upon completion, such documents are delivered to the Fleet Office within 24 hours for evaluation. Fleet engage with the relevant service manager to confirm a successful assessment or discuss further action if required.	Fleet & Depot Manager	Closed		Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
B2202	Fleet Management Strategy	Community Services	Recommendation 5 – Proportional supporting evidence to be documented for fleet challenge and service reviews.	M	Financial loss and reputation damage to the Council because management are unable to demonstrate fleet, cost and carbon reduction in line with the planned Strategy	Template issued to client / user department in relation to fleet replacement.	Fleet & Depot Manager	September 2022		Recommendation evidenced as actioned (Closed)
D2002	City Centre (Reasonable)	Community Services	Recommendation 7: Delegated authority / responsibility for issuing pavement café licences should be included in the relevant Scheme of Delegation.	M	Pavement café licences may be granted / rejected without proper authorisation which may lead to reputational damage to the Council.	Health and Wellbeing Services Manager to include pavement café licences in the relevant Scheme of Delegation.	Health and Wellbeing Services Manager	29-Jan-21	30 August 2021	Recommendation evidenced as actioned (Closed)
D1901	Tullie House (Reasonable)	Community Services	Recommendation 8 – The Council should obtain assurances that performance information represents value for money and continuous improvement	M	Failure to ensure delivery of VFM.	To be discussed at next contract monitoring meeting and actions agreed and recorded	Health & Well-Being Manager	26-Feb-20	31 March 2021	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
A1802	Smarter Service Delivery (Reasonable)	Corporate Support	A process should be developed to archive and/or delete personal information held within both Salesforce and My Account, in line with suitable retention periods.	M	Council in possession of unnecessary personal information. Risk of breaching data protection legislation. Risk of fines and sanctions	Scheduled deletion and disposal report tool is currently being configured. MyAccount specific privacy policy is being introduced with appropriate retention schedules applied.	Customer Services Manager	31 August 2018	30.06.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2103	Council Tax	Finance & Resources	Recommendation 1 – Wider management team to regularly and accurately document service risks.	M	Key risks may not be identified or correctly assessed.	Review of risks considered collectively previously and risks deemed to be appropriate. Further internal review to be undertaken in 2022/23	Head of Revenues & Benefits	30th November 2022		Recommendation evidenced as actioned (Closed)

Ass Code	Audit	Directorate	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Status
G2103	Council Tax	Finance & Resources	Recommendation 2 – Consider whether the draft Collection and Recovery Policy should be finalised and published.	M	Reduced level of staff direction.	Consideration to be made during 2022/23, which may assist LGR preparation for Cumberland Council	Recovery Team Leader	31st January 2023		Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2103	Council Tax	Finance & Resources	Recommendation 3 – Systems Support Team to apply the Academy system archiving tool.	M	Non-compliance with UK GDPR.	Consideration to be given, after priority requirements have been implemented for LGR	Systems Support & Controls Manager	30th November 2023	30th November 2023	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2103	Council Tax	Finance & Resources	Recommendation 4 – Consider if any proportionate additions or updating to service guidance is required.	M	Reduced level of staff direction.	Consideration to be made during 2022/23, which may assist LGR preparation for Cumberland Council	Revenues Team Leader	31st January 2023	31st December 2023	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2103	Council Tax	Finance & Resources	Recommendation 5 – Consider if sample checks should be introduced to confirm robust eligibility criteria checks.	M	Increased risk of fraud and error.	Consideration to be made during 2022/23, which may assist LGR preparation for Cumberland Council	Revenues Team Leader	31st January 2023		Recommendation evidenced as actioned (Closed)
G2103	Council Tax	Finance & Resources	Recommendation 6 – Review if any improvements can be made to the overpayment recovery reports.	M	Overpayment recovery inefficiencies are not identified.	Review of reports to be made during 2022/23, to see if improvements can be identified.	Recovery Team Leader	30th November 2022		Recommendation evidenced as actioned (Closed)
J2104	Covid-19 Grants - Counter Fraud (Partial)	Finance & Resources	Recommendation 1 – Use the post-payment assurance process to demonstrate that eligibility criteria has been met; and that error and fraud has been minimised.	H	Payments made to ineligible or fraudulent claimants, or in error.	Eligibility and evidence for a sample of payments aligned to the review of likely incidence of fraud and error to be reviewed, with results documented / Independence and size of sample reviewed to be agreed with Corporate Director for Finance and Resources	Head of Revenues & Benefits Services / Revenues Team Leader / Head of Administration and Performance Management	30th Sept 2022	31st July 2023	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
J2104	Covid-19 Grants - Counter Fraud (Partial)	Finance & Resources	Recommendation 2 – Review the likely incidence of fraud and error that may have occurred for all schemes and investigate findings as part of the post-payment assurance assessment.	H	Payments made to fraudulent claimants or made in error.	Review of likely incidence of fraud and error for all schemes to be conducted	Revenues Team Leader / Head of Administration and Performance Management	30th Sept 2022	31st July 2023	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 2 – Guidance documents to be regularly reviewed and updated with consideration given to DWP good practice.	M	Content of key documents not current or align to DWP good practice guidance.	Documentation to be reviewed in accordance with DWP circulars and relevant good practice guidance	Revenues and Benefits Operations Manager	31st December 2021	31st July 2023	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 4 – Staff training requirements to be regularly assessed with outcomes recorded.	M	Staff are not fully trained to carry out their role.	All staff training requirements to be captured and documented.	Revenues and Benefits Operations Manager	31st January 2022		Recommendation no longer relevant due to change in circumstances (Closed)
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 5 - Collection and Recovery Policy to be finalised and published.	M	Service priorities are unclear to staff.	Documentation to be reviewed and formally approved for publication.	Recovery Team Leader	31st December 2021		Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 6 – Update the current arrangements in place with the Authority's collection agent.	M	Level of service of Collection Agent is not formally agreed and falls below expectations.	Agreement to be reviewed with monitoring arrangements and information reviews to be re-instated.	Recovery Team Leader	30th September 2021		Recommendation evidenced as actioned (Closed)
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 8 - The Systems Support Team should apply the archiving tool provided to the Academy system to ensure historic records no longer required are deleted on a timely basis.	M	Authority may not be fully compliant with UK GDPR	Archiving processes to be commenced and appropriate records removed.	Systems Support and Control Manager	31st March 2022	30th November 2023	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2006	Housing Benefits (Reasonable)	Finance & Resources	Recommendation 11 – Clear recovery targets to be set for Overpayment Recovery staff in line with DWP good practice guidance.	M	Overpayment recovery is not efficient and effective	Target performance to be determined, based on previous years collection performance.	Recovery Team Leader	31st October 2021		Recommendation no longer relevant due to change in circumstances (Closed)
A2102	Environmental Strategy (Reasonable)	Community Services	Recommendation 7 - Set a timetable for completion of communication and engagement planning.	M	Loss of Council reputation and partner engagement.	Finalise communication and planning alongside a new action plan (Rec.1).	Policy and Communications Manager	01 January 2022	30.06.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.

Ass Code	Audit	Directorate	Recommendation	Priority	Risk Exposure	Agreed action	Responsible Manager	Original Completion Date	Revised Completion Date (if applicable)	Status
B2103	Recycling (Perf Info)	Neighbourhood Services	Recommendation 2: Guidance should be documented in relation to targets and the calculation methodologies used for each of the performance standards reviewed.	M	If procedures are not clearly documented, officers may be unsure of their roles and responsibilities and incorrect practices may occur that may lead to inaccurate information or reputational damage to the Council.	The existing guidance will be reviewed and updated to provide greater clarity on targets and the calculation methodologies used for each of the performance standards.	Policy & Communications Manager	30 September 2022	30.06.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
G2202	Financial Services Governance Arrangements	Finance & Resources	Review narrative for operational risk mitigating actions	M	Risks escalate because mitigating actions are ineffective	Risks will be reviewed at the next update of the Operational Risk Register	Head of Financial Services	31.03.23		Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
G2202	Financial Services Governance Arrangements	Finance & Resources	Verify that all required documents are disposed of in line with the Financial Procedure Rules and Data Protection Legislation	M	Service is not compliant with Financial Protection Rules or Data Protection Legislation	Disposal log will be updated and guidance given to the team on ensuring documents are disposed of in line with the guidance	Head of Financial Services	31.03.23		Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
G2104	MAS	Finance & Resources	Recommendation 3 – Reinstatement the monthly bank reconciliation supervisory review and authorisation	M	Bank reconciliation errors may not be identified in a timely manner	The monthly bank reconciliation review will be reinstated	Head of Financial Services	30 September 2022		Recommendation evidenced as actioned (Closed)
J2104	Procurement (Counter-Fraud)	Finance & Resources	Recommendation 3 – Training and/or information should be provided to budget holders to help maintain awareness of current procurement fraud issues	Medium	Responsible officers unaware of current developments and issues within risk environment	A process will be investigated to determine how best to disseminate information of current procurement fraud issues to service managers	Head of Financial Services	30 September 2022	30.09.23	Rec will not be implemented by Carlisle City Council. Move to schedule of recommendations to be considered during transition.
J2104	Procurement (Counter-Fraud)	Finance & Resources	Recommendation 4 – A process should be put in place to ensure the procurement fraud risk environment is closely monitored and consideration should be given to including management of this risk within the Council's operational risk registers	Medium	Limited awareness and failure to manage new and emerging risks	Inclusion of procurement fraud in the operational risk register for finance will be considered	Head of Financial Services	30 September 2022	30.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
G2205	Treasury Management	Finance & Resources	Recommendation 1 – Formal authorisation and confirmation to be recorded for all Treasury management Investments	M	Financial loss through fraud or error	A process will be put in place to ensure oversight of investments placed	Head of Financial Services	01.12.22		Recommendation evidenced as actioned (Closed)
A2201	Risk Management	Corporate Support	Recommendation 1 – Corporate Risk Management Group to formally review and agree the Corporate Risk Register on a continuing basis, in line with the Council's Financial Procedure Rules.	M	Risks to Corporate objectives escalate and management unable to make informed decisions on corrective action.	Regular meetings of the CRMG to be scheduled up until Vesting Day/ Corporate Risk owners to be e-mailed monthly che3kcin for any escalations/ identification of new corporate level risks. Special meeting of the CRMG can be called when required/ The City Council's current corporate risk register is part of discussions at an LGR Task & Finish Grop, this will ensure that the relevant risks migrate to the new Cumberland authority. It will also ensure examples of bes practice from across the districts	Chief Executive's Office Manager	November 2022/ November/ These meetings are taking place regularly as of October 2022		Recommendation evidenced as actioned (Closed)
A2201	Risk Management	Corporate Support	Recommendation 2 – Corporate Risk Management Group to formally review and agree the effectiveness of the Risk Management Sub-Group, on a continuing basis.	M	Risk Management Sub-Group is not operating effectively with reduced oversight of risks to operational objectives	RMSG minutes to be a standing item on the CRMG agenda/ The RMSG has agreed the need to continue to meet beyond Vesting day/ CRMG to have a discussion as to how best carry out the review and identify actions/ timescales	Chief Executive's Office Manager	November 2022		Recommendation evidenced as actioned (Closed)
A2201	Risk Management	Corporate Support	Recommendation 3 – Corporate Risk Management Group to formally review and agree the effectiveness of major project risk management arrangements on a continuing basis.	M	Risks to major Council projects escalate and management unable to make informed decisions on corrective action.	Project Managers to continue to be requested to identify escalating risks and flag these with the Chief Executive's Office to arrange necessary escalation routes/ A discussion to take place at CRMG around adding this to the role of that Group	Chief Executive's Office Manager	On-going	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)
A2201	Risk Management	Corporate Support	Recommendation 4 – Risk Management Sub-group to formally review and agree the effectiveness of operational risk management arrangements, on a continuing basis.	M	Risks to service objectives escalate and management unable to make informed decisions on corrective action.	This process is about to re-commence with the consideration of the HR operational risk register at the November meeting of the RMSG. At the end of the RSMG the next operational risk register for consideration will be identified and agreed and the penholder invited to attend the next meeting to present	Chief Executive's Office Manager	On-going	31.03.23	Recommendation not actioned - revised timescales for implementation agreed (or rec replaced)





# Carlisle City Council

## Report to Audit Committee

Item  
A.4 (i)

### Report details

Meeting Date:	17 March 2023
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – National Non-Domestic Rates
Report of:	Corporate Director Finance & Resources
Report Number:	RD71/22

### Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2022/23 and considers the risk-based Internal Audit review of National Non-Domestic Rates.

### Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

### Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

## **1. Background**

- 1.1. An audit of National Non-Domestic Rates was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2022/23. The audit (Appendix 1) provides reasonable assurances and includes 4 medium-graded recommendations.

## **2. Risks**

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

## **3. Consultation**

- 3.1 Not applicable

## **4. Conclusion and reasons for recommendations**

- 4.1 The Committee is requested to  
i) receive the final audit report outlined in paragraph 1.1

## **5. Contribution to the Carlisle Plan Priorities**

- 5.1 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 details:**

Contact Officer: Michael Roper

Ext: 7520

### **Appendices attached to report:**

- **Internal Audit Report – National Non-Domestic Rates– Appendix 1**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

### **Corporate Implications:**

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

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

# Audit of National Non-Domestic Rates

Draft Report Issued: 16 January 2023

Director Draft Issued: 14 February 2023

Final Report Issued: 1 March 2023 (Re-issued 2 March 2023)



## Audit Report Distribution

<b>Client Lead:</b>	Head of Revenues & Benefits Revenues Team Leaders
<b>Chief Officer:</b>	Corporate Director of Finance & Resources Chief Executive
<b>Others:</b>	Systems Support & Controls Manager Corporate Information Officer
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 16 <sup>th</sup> March 2023 will receive a copy of this report.

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

## 1.0 Background

- 1.1. This report summarises the findings from the audit of National Non-Domestic Rates. This was an internal audit review included in the 2022/23 risk-based audit plan agreed by the Audit Committee on 15<sup>th</sup> March 2022.
- 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.
- 1.3. All non-domestic properties are rated by the Valuation Office Agency (VOA), which is a UK Government Executive Agency. Unless exempt, non-domestic properties are known as 'hereditaments' and given a rateable value. Tax liability is calculated by multiplying their rateable value by a 'poundage' set by Government. This usually varies annually as it increases in line with inflation. Several reliefs are available, such as for charities and small business.
- 1.4. The Service is managed through the Academy and Civica electronic document storage system by the Revenues and Benefits Team.

## 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 Client Leads for this review were the two Revenues Team Leaders 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 risks:
  - Failure to achieve business objectives due to insufficient governance.
  - Loss of or failure to secure sensitive personal information and comply with data protection legislation, resulting in sanctions and reputational damage.
  - Business rate reliefs decisions are not appropriately applied resulting in incorrect reliefs being awarded.
  - Fraudulent claims are not identified resulting in a financial loss to the Council.
  - System processes do not ensure that properties are correctly billed, and monies collected timely.

- 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 intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within National Non-Domestic Rates provide **Reasonable assurance**.

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

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

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

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

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.

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

Good governance arrangements are in place, helping to ensure that the business rates operation runs smoothly. Robust reports are produced and used to challenge collection rates and team performance during regular management meetings.

Annual billing for 2022/23 was not printed and distributed in a timely manner by the company responsible and there were a few weeks delay until the Council identified the error. This has now been resolved and processes implemented to ensure it does not reoccur, however updated guidance has yet to be documented.

Controls are in place to ensure that personal information is secure. There are limitations within the current electronic document storage system, preventing deletion of files. This will be addressed as the service moves to one system following Local Government Reorganisation.

Updating application forms will further increase ratepayer awareness that their personal data may be shared with third parties.

Systems and processes are in place to ensure that properties are correctly billed, money is collected and where necessary recovered.

Reliefs are awarded in line with Council policies, procedures and relevant legislation.

Clarifying specified officer authorisation limits for refunds and write offs / ons will further enhance the existing scheme of delegation already in place.

There is a need for appraisals to be carried out across the team. Updating the structure and job descriptions will further increase reporting line and role accuracy.

**Comment from the Corporate Director of Finance & Resources**

A useful audit, with agreed recommendations, which will assist the service going forward.

Pleasing that the service has been assessed with a reasonable assurance rating given the pressures placed on both the Revenues and Systems & Controls teams during 2022/23. This is a credit to members of both teams, the team Leaders and the Head of Revenues and Benefits.

## 5.0 Audit Findings & Recommendations

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

- 5.1.1** The latest service plan in place covers 2021/22. Due to the impending Local Government Reorganisation (LGR) and increased workloads, a plan has not been developed for the current year. Review of the 2021/22 service plan confirmed it remains relevant for the current service.
- 5.1.2** There is a good understanding of operational risk and escalation of high level issues to the corporate risk register. Risks and mitigating actions are regularly monitored in a timely manner. New and emerging risks are added to the risk register when appropriate.
- 5.1.3** Staffing structures are in place. Work is in progress to fill vacancies and once completed, further review and update of the structure will be required.
- 5.1.4** Job descriptions (JDs) are in place although the Revenues Team Leader's has not been reviewed since April 2014. As an example, it refers to the shared Revenues and Benefits service (partnership), although that part of the service is now back in house. Several JDs refer to out of date reporting lines and this was raised in the previous audit review. Review and update to reflect current practice would be prudent, particularly as staff are expected to TUPE to the new Councils on existing terms and conditions which will include job descriptions.
- 5.1.5** The Corporate Director of Finance & Resources Scheme of Sub-Delegation to Officers (SOD) dated September 2022, details delegated responsibilities for the Revenues & Benefits function to the Head of Revenues & Benefits and team leaders.
- 5.1.6** Local procedures/ system controls help to raise awareness of officer roles and responsibilities and ensure a consistent approach to both rate relief and write offs. However, audit testing highlighted that there is no documented operational SOD clarifying specified officer authorisation limits for refunds and write offs/ ons.
- 5.1.7** Training and support is provided to the team. Management confirmed that further training is planned as cover for the Rating Officer's role.
- 5.1.8** Regular appraisals, 1 to 1's and formal team meetings have not taken place due to LGR and increased workloads. At the time of the audit, the new Revenues Team Leader confirmed that team 1 to 1's are planned. A recommendation was made in the previous audit report for appraisals to be completed and this remains outstanding.
- 5.1.9** Regular management team meetings are in place and minutes are issued.



**5.1.10** Reports are regularly discussed at management team meetings. The information is used to challenge the collection rates and team performance. Performance information is displayed within the office for the attention of all officers.

**5.1.11** Performance is also reported quarterly in the Council's performance report. At September 2022, the collection rate was 57.32%, an increase of 7.22% on the previous year. Monetary value was £24.5M compared to £18.5M in the previous year. The figures from the weekly revenues performance update spreadsheet agreed to the figures reported in the Q1 performance report (31.8%).

**5.1.12** Financial monitoring is in place and controls ensure issues are flagged promptly. At the time of the audit, there were no issues of concern.

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

**5.2.1** A service privacy notice is published on the Council's website. It states that information will be retained in accordance with the Council's Retention Schedule.

**5.2.2** A review of the Council's Retention Schedule confirmed inclusion of business rates.

**5.2.3** Current business rates legislation is available to officers in both the Rating Law and Practice Manual and online.

**5.2.4** Some officers have not completed GDPR and Cyber Security training in the required timescales.

**Recommendation 1 – All officers should complete the Skillgate GDPR and Cyber Security trainings within the required timescales.**

**5.2.5** Officers have access to local procedures on the shared drive. A sample of these procedures were reviewed and highlighted that they did not contain the date, author, version, or review date.

**5.2.6** A Service Level Agreement is in place with the Debt Collection Agency which covers GDPR.

**5.2.7** Information within various application forms may be shared with a third party and include personal information such as a client's name. None of the forms reflect this or reference the privacy statement.

**Recommendation 2 – All application forms should state that information provided may be shared with a third party. The forms should refer to the privacy statement for more information.**

**5.2.8** Business rates information is available on the Council's internet page and on the reverse of business rate bills.

**5.2.9** A number of business rate reliefs are available and detailed on the GOV.UK website.

**5.2.10** The Council has a Discretionary Rate Relief Policy, dated 2017/2018. This policy was presented to the Executive on 29/8/2017 and approved by Council on 12/09/2017. The Discretionary Rate Relief is granted under this policy in accordance with legislative provisions within Section 47 of the Local Government Finance Act 1988 and subsequent amendments.

**5.2.11** There is clear guidance for staff on qualifying areas for rural rate relief, based on rural settlement areas. An application form is completed which is checked and approved. These reliefs are rolled over from previous year if there are no changes to the relevant business; if there are changes a new application form is completed.

**5.2.12** A sample of retail, public toilet and discretionary reliefs granted were chosen for audit testing and the following was noted:

- The relief granted, and value was correct.
- A relief application form had been completed where appropriate.
- The rateable value on Academy agreed to the current rate list as per the Gov.uk website.
- The calculation for the business rate was successfully reperformed using the correct Government multiplier.
- Relief parameters were all set by the systems team on all of the sample reviewed.
- All of the sample tested had a unique property reference.
- Actual bill value was correct for all the sample tested and agreed to reliefs granted, multiplier etc.
- No issues or concerns were raised from the above audit testing.

**5.2.13** A daily report is produced which details the overnight bills run. This is checked and balanced daily prior to being sent for printing. Two random days were reviewed by audit and no issues were noted.

**5.2.14** Refunds are processed and authorised on the system. A weekly report is produced detailing all refunds, which is approved by management prior to Creditor processing.

- 5.2.15** A sample of refunds tested were found to be calculated correctly and refunded to the liable account. They had all been processed and authorised by independent officers, demonstrating segregation of duties. Weekly refund reports tested were checked and approved by the Revenues Team Leader or the Recovery Team Leader. Due to a high refund value, one report included a second authoriser.
- 5.2.16** Audit testing highlighted that there is no documented operational scheme of delegation for processing or authorising refunds. It was noted that segregation of duties is maintained between the officer authorising the weekly refund report and the officer authorising the refund on the system.
- 5.2.17** The debt recovery guidance is set out within the Financial Procedure Rules. The team also have access to a number of recovery training documents on the shared drive. None of these training documents detailed the date, version number, author or review date.
- 5.2.18** The Council has an obligation to collect debts and will progress outstanding liabilities using the debt collection timetable and above processes. A recovery timetable is in place for 2022/23.
- 5.2.19** Outstanding debts are passed to the Revenue and Benefits Recovery team. Audit testing confirmed that debts tested were written off and on appropriately and approved by the Director of Finance and Resources. However, it was noted that there is no operational SOD for authorising write offs and write ons, or specified limits.
- 5.2.20** Audit testing highlighted that the Payment Problems page on the Council's website was showing an incorrect summons fee, this has now been amended by the Recovery Team Leader.

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

- 5.3.1** Paper correspondence with clients is scanned into the system, indexed and retained for three months prior to confidential destruction.
- 5.3.2** The electronic document retention and disposal process has not yet been undertaken and was subject to previous audit report recommendation. (Recommendation 3 in the Council Tax Audit - G2103). This is due to be picked up as part of LGR next year as the service moves to a single database.
- 5.3.3** The IT system is secure with restricted access based on user roles. The System Support Team are responsible for adding and removing users. Backups of the ICT system are taken daily.
- 5.3.4** During the audit review several staff were in the process of changing roles and temporarily covering two roles. As a result, it was not possible to confirm robustness of user access.
- 5.3.5** The service accepts the risk of reduced segregation of duties for certain officers. Controls have been implemented to reduce the level of risk. For example, staff are aware:
- of their obligations under the employee code of conduct;
  - that they must avoid a perception of impartiality;
  - that they must not handle service requests for themselves, their relatives or friends and, if requested to do so, must pass it to a colleague.
- 5.3.6** Officers are requested to complete a Register of Interest Declaration. The Systems Support Team can then restrict system access on all business accounts noted. The majority of the team last completed their declarations prior to the start of the Covid-19 pandemic.

**Recommendation 3 – All staff should be asked to update a Register of Interest Declaration.**

- 5.3.7** Staff are aware of the risk of money laundering through business rate overpayments and refunds. The correct documentation is received, and bank accounts verified prior to payment refunds. No issues were raised during audit testing.
- 5.3.8** The main bill is produced by the Systems Support Team and checks are carried out on appropriate layout and compliance with legislation.

**5.3.9** The business rate system Academy was closed down (with restricted access) by the Systems Support Team to allow the NNDR file to be issued to the mailing provider contracted mailing provider in time for bills to be printed and mailed on the agreed date (08/03/22). However, the provider failed to print the bills, and was only identified when recipients raised this with the Council. The Head of Revenues & Benefits confirmed that weekly and annual checks have been introduced as a result of this error (outside the Council's control) to reduce the risk of this happening again, although procedural guidance for this process has not yet been documented.

**Recommendation 4 – Guidance should be documented for the weekly and annual checks undertaken to ensure that bills are promptly printed by the contracted mail provider.**

**5.3.10** Audit testing confirmed that the following checks are in place:

- The expected total is agreed to the total of the billing run after processing.
- The number of bills produced is reconciled to the number of liable properties from the valuation office.
- The debit control record and confirmation that the opening debit agreed with the rateable value from the valuation office.

**5.3.11** Amendments to existing and new properties are identified and reported to the Valuation office. Reconciliations ensure that all changes are updated correctly on Academy. No issues were raised when a random sample of new properties and amendments were tested.

**5.3.12** Suspense accounts are cleared daily, helping to ensure all information is posted on an accurate and timely basis.

## **5.4 Security – Safeguarding of Assets**

**5.4.1** The Revenues and Benefits service is operated from a secure office with restricted fob access. The Head of Revenues & Benefits reviews this access twice per year.

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

**5.5.1** Management ensure that the collection of rates is monitored with action is taken where necessary. Workloads are tracked and weekly updates are sent to the managers.

**5.5.2** All the team are dedicated business rates officers with significant experience.

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1: All officers should complete the Skillgate GDPR and Cyber Security trainings within the required timescales.	M	Sanctions, litigation and reputational damage could arise from non-compliance with relevant legislation.	Officers will be requested to complete outstanding training.	Revenues Team Leader	31/03/23
Recommendation 2: All application forms should state that information provided may be shared with a third party. The forms should refer to the privacy statement for more information.	M	Non-compliance with GDPR legislation and failure to advise ratepayers that their personal data may be shared.	This will be review with all documentation as part of LGR.	Head of Revenues & Benefits	31/10/23
Recommendation 3: All staff should be asked to update a Register of Interest Declaration.	M	Fraud and reputational damage to the Council due to impartiality.	This will be reviewed as part of LGR for the new Cumberland Council.	Head of Revenues & Benefits	30/09/23

Recommendation 4: Guidance should be documented for the weekly and annual checks undertaken to ensure that bills are promptly printed by the contracted mail provider.	M	Loss of income and reputational damage to the Council if business rates are not billed and paid.	Guidance will be documented.	Head of Revenues & Benefits	31/03/2023
---	---	--	------------------------------	-----------------------------	------------

**Appendix B – Advisory Comments**

Ref	Advisory Comment
5.1.1	A new service plan should be undertaken in line with the new Cumberland Council's processes.
5.1.3	The service's structure charts should be updated once the vacant roles have been filled.
5.1.4	Job descriptions should be updated to reflect the current roles and reporting lines.
5.1.6 & 5.2.16 & 5.2.19	An arrangement should be documented to demonstrate which officers have operational responsibility for refunds and write off / ons.
5.1.8	Appraisals should be undertaken with all officers and the appraisal documents should be completed timely and processed in line with corporate requirements.
5.2.5 & 5.2.17	All procedures should contain the author, date, review date and version number.
5.3.4	Academy user access should be reviewed to ensure that all officers have the correct system access for their current role.



## Appendix C - 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 control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<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 embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</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 that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
<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-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

## Appendix D

### Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; 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).

# Carlisle City Council

## Report to Audit Committee

Item  
A.4 (ii)

### Report details

Meeting Date:	17 March 2023
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Neighbourhood Services (Culture) Follow-Up
Report of:	Corporate Director Finance & Resources
Report Number:	RD.72/22

### Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2022/23 and considers the risk-based Internal Audit review of Neighbourhood Services (Culture) Follow-Up.

### Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

### Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

## **1. Background**

- 1.1. A follow-up audit of Neighbourhood Services (Culture) was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2022/23. The audit (Appendix 1) provides reasonable assurances (increased from partial) and includes 2 medium-graded recommendations.

## **2. Risks**

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

## **3. Consultation**

- 3.1 Not applicable

## **4. Conclusion and reasons for recommendations**

- 4.1 The Committee is requested to  
i) receive the final audit report outlined in paragraph 1.1

## **5. Contribution to the Carlisle Plan Priorities**

- 5.1 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 details:**

Contact Officer: Michael Roper

Ext: 7520

### **Appendices attached to report:**

- **Internal Audit Report – Neighbourhood Services (Culture) Follow-Up– Appendix 1**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

### **Corporate Implications:**

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

Property Services - None

Finance – Contained within report

Equality - None  
Information Governance- None

## Audit follow up of Neighbourhood Services (Culture)

Draft Report Issued: 27th January 2023

Director Draft Issued: 7<sup>th</sup> February 2023

Final Report Issued: 21st February 2023



## Audit Report Distribution

<b>Client Lead:</b>	Head of Neighbourhoods
<b>Chief Officer:</b>	Deputy Chief Executive Chief Executive
<b>Others:</b>	HR Manager Workforce Development Manager
<b>Audit Committee</b>	The Audit Committee, which is due to be held on 16 <sup>th</sup> March 2023 will receive a copy of this report.

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

## 1.0 Background

- 1.1. This report summarises the findings from a follow up audit of Neighbourhood Services (Culture). This was an internal audit review included in the 2022/23 risk-based audit plan agreed by the Audit Committee on 23<sup>rd</sup> March 2022.
- 1.2. The original audit was carried out in November 2021, resulting in a conclusion of partial assurance and 7 recommendations (including 1 high). 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 (see section 4). Detailed findings and recommendations are reported within section 5 of this report.
- 2.3 The Client Lead was asked to provide an update on progress made implementing the agreed actions. Internal Audit then undertook testing as necessary to confirm that actions have been fully implemented and that controls are working as intended to mitigate risk

### Audit Scope and Limitations.

- 2.4 The original scope was to provide independent assurance over management's arrangements for ensuring effective governance, risk management and internal controls of the following risk areas:
  - Cultural issues impacting on ability to deliver business objectives
- 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 intended to assist Members and Officers in their assessment of the overall governance, risk management and internal control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix D** for definitions).



- 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 Neighbourhood Services (Culture) provide **reasonable assurance** (revised from partial assurance).

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

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

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix E**.
- 4.2 The previous audit included 7 recommendations (See Appendix A) of which:
- 2 agreed actions have been successfully implemented.
  - 2 agreed actions have been partially implemented.
  - 3 agreed actions have not been implemented.
- 4.3 Audit recommendations arising from this audit review are summarised below:

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

4.4 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix B. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix C for management information.

4.5 **Findings Summary:**

Results of the recent (September 2022) pulse staff survey are favourable, demonstrating a positive level of job satisfaction within Neighbourhood Services.

Although some of the agreed management actions detailed in the original audit have not been implemented, management have pursued alternative arrangements which appear to have had a positive effect.

Management actions taken include:

- holding focus groups between management, staff and Union Representatives to review and work through issues raised in the original survey
- reviews of individual rounds to address perceived inequity
- increase in drivers' salary
- improved notice boards

An arrangement to maintain positive staff job satisfaction would be beneficial.

It is noted that although the recent pulse survey results are positive, grievances and disciplinaries have been significant, confirming long-term management is required to address the identified concerns.

Monitoring the level, efficiency, effectiveness and timeliness of grievances and disciplinaries will enable informed decisions to be taken on corrective action.

**Comment from the Deputy Chief Executive:**

This follow up review of Neighbourhood Services (culture) is welcome and has highlighted some areas of work where the Council could make more progress on maintaining and developing an inclusive and well motivated culture in these services.

We will continue to work on activities that support our staff and pay attention to the culture and well being of our workforce.

## 5.0 Audit Findings & Recommendations

### 5.1 Progress overview

**5.1.1** Results of the recent (September 2022) pulse staff survey are favourable, demonstrating a positive level of job satisfaction within Neighbourhood Services. It is noted that the questions in the original survey (July 2021) are not directly comparable to the latest survey, increasing the difficulty in drawing firm conclusions on direction of travel.

**5.1.2** The following questions were answered most positively where either 'agree' or 'strongly agree' were selected:

- I am clear on what is expected of me in my job (90%)
- I take pride in doing a good job and delivering quality services for the people of Carlisle (92%)
- I enjoy working with my colleagues (88%)
- I know how to report safety issues (85%)

**5.1.3** The following questions were answered most negatively where either 'disagree' or 'strongly disagree' were selected:

- Our organisation does a good job of communicating with staff (24%)
- I feel that the current work environment is positive, healthy and supportive (17%)
- I have good career opportunities (17%)
- I have noticed a positive change in culture in the last 6 months (22%)

The level of negativity for these questions is not significant when the overall response to each is considered. For example, if 22% of responders disagreed or strongly disagreed with the statement, 'I have noticed a positive change in culture in the last 6 months', this means that 78% of responders agreed, strongly agreed or were neutral.

**5.1.4** Since the original audit a number of focus groups have been held with management, staff and Union Representatives to review and work through issues raised in the original survey. In addition to the focus groups, reviews of individual rounds (routes taken/ number of bins collected etc) have also taken place to address perceived inequity, where some staff were finishing work earlier than others.

- 5.1.5** Management indicated that that some drivers took advantage of the well-publicised private sector driver shortage to increase pay, then returned to the Council where it was felt that general working conditions are more favourable. Salaries of all HGV licence holders at the Council have been raised by £1k through the award of a market factor supplement, which will be reviewed after two years.
- 5.1.6** Further action has been taken to facilitate improved communication with staff. Notice boards now have dedicated space for Health and Safety, LGR and for sale/ wanted. 'Toolbox talks' continue to be delivered by supervisors prior to rounds.
- 5.1.7** Although some of the agreed management actions detailed in the original audit have not been implemented, engagement with staff through focus groups and round reviews appears to have had a positive effect on the level of job satisfaction. It is advised that management may wish to consider if that positive effect may be at least partly due to the well documented Hawthorne Effect (Elton Mayo) where an increase in performance was noted when staff were noticed, watched and paid attention to by researchers or supervisors.
- 5.1.8** It is noted there has been a significant level of staff grievances and disciplinaries within the service. In response, management have arranged specialist HR support to be based at Boustead's Depot in the short-term. It is envisaged that this will resolve staffing issues in an effective and timely manner, helping to prevent escalation to a formal grievance or disciplinary process in the future.

## **5.2 Recommendation 1 – Devise a Relationship Management Strategy**

- 5.2.1** The previous recommendation detailed that a relationship management strategy should be devised, focusing on improving relationships and understanding between management, operational staff and union representatives. Implementation of the strategy would benefit from an external mediator with the appropriate skills and knowledge to support the exercise.
- 5.2.2** Management agreed actions to:
- source an independent, or external support to develop the strategy
  - develop a strategy through discussion with a mixed group of officers, staff and union reps.
  - seek feedback through consultation with the wider team.

**5.2.3** The relationship management strategy recommended in the original audit has not been developed. At the time of the Audit (January 2023) management indicated that they had been waiting for the results of the recent pulse survey (September 2022) to decide on next steps to take.

**5.2.4** It is recommended that management put an arrangement in place to maintain positive staff job satisfaction in the future. As part of that process, It is advised that management decide whether a relationship management strategy should now be developed.

**Recommendation 1 – Put an arrangement in place to maintain positive staff job satisfaction.**

### **5.3 Recommendation 2 – Monitor ongoing success of the Relationship Management Strategy**

**5.3.1** The previous recommendation detailed that a process should be put in place to monitor the ongoing success of the relationship strategy. The strategy should be revised in accordance with the outcome of ongoing monitoring.

**5.3.2** The agreed management action was to develop the process through ongoing discussion with a mixed group of officers, staff and union reps.

**5.3.3** As detailed in 5.2.3, a Relationship Management Strategy has not been developed. It is advised that if a Strategy is developed, a process should be put in place to monitor the ongoing success.

### **5.4 Recommendation 3 – Relationship Management Strategy to include a charter of acceptable behaviour**

**5.4.1** The previous recommendation detailed that the Relationship Management Strategy should include a charter of acceptable behaviour between management, operational staff and union representatives. The charter should be subject to suitable consultation from all three stakeholders and agreed by all parties.

**5.4.2** The agreed management action was to develop the charter through ongoing discussion with a mixed group of officers, staff and union reps.

**5.4.3** A charter of acceptable behaviour has not been developed. Management decided there was sufficient existing documentation in place such as the '3 C's', Employee and Management Competency Standards and Code of Conduct.

## **5.5 Recommendation 4 – Review current routes to improve equality between workloads**

**5.5.1** The previous recommendation detailed review of current routes to improve equality between workloads.

**5.5.2** The agreed management action was for a mixed group of officers and representatives from unions and staff to be established to review round performance information and develop options to re-balance rounds. The first meeting took place in January 2022. The aim was to see some immediate action in the short-term and / or develop options for the medium term.

**5.5.3** Officers, staff and union reps have met regularly to discuss the round review. Ideas and suggestions were invited and changes to a number of rounds were actioned. It is advised that round equity is subject to regular management review.

**5.5.4** To further demonstrate fairness, it is also advised that where team changes are made, management record and retain evidence of staff involved.

## **5.6 Recommendation 5 – Management to create a communication strategy**

**5.6.1** The previous recommendation detailed that management should create a communication strategy to focus on improving the consistency and completeness of information provided to operational staff (the process should include consultation with staff).

**5.6.2** Management agreed actions to:

- develop a strategy through discussion with a mixed group of officers, staff and union representatives
- seek feedback and consultation with the wider team.

- 5.6.3** A communication strategy has not been developed. At the time of the Audit (January 2023), management indicated that they had been waiting for the results of the recent pulse survey (September 2022) to decide on next steps to take.
- 5.6.4** It is advised that management should decide if a communication strategy should form part of the process detailed in 5.2.3.

## **5.7 Recommendation 6 – Approach to grievances and disciplinaries to be reviewed**

- 5.7.1** The previous recommendation detailed that the approach to grievances and disciplinaries should be reviewed to ensure it is timely and efficient.
- 5.7.2** The agreed management action stated that the HR team is now fully resourced and the new team recognises the importance and commitment to ensuring a proactive and timely approach to case management.
- 5.7.3** Anecdotal evidence provided by a key Union rep indicated that improvements to case management have been made, although data is not currently available to confirm timeliness and efficiency.
- 5.7.4** Management have established, specialist HR support based at Boustead's Depot. It is envisaged that professional mediation will help prevent escalation of staff and management disagreements to a formal process.
- 5.7.5** It is recommended that management (including the Corporate Director) are regularly updated on the number of grievances and disciplinaries within Neighbourhood Services along with the time taken to resolve individual cases. This will allow informed decisions to be taken on the efficiency, effectiveness and timeliness of the approach to case resolution.

**Recommendation 2 – Management (including the Corporate Director) to be regularly updated on the number of investigations, grievances and disciplinaries, along with the time taken to resolve individual cases.**

**5.8 Recommendation 7 – Consistent approach taken to handling grievances, complaints and queries**

- 5.8.1** The previous recommendation detailed that Union Representatives should work with Human Resources and Health and Safety to ensure a consistent approach is taken to handling grievances, complaints and queries.
- 5.8.2** The agreed management action stated that HR & Payroll Management is working with colleagues and Union Representatives to draft a short protocol which sets out how various issues should be approached and what the expected process is for managing those issues. This will be reviewed on a regular basis at CJC to support continuation of issue resolution being managed in partnership.
- 5.8.3** A draft flow-chart protocol has been developed with Union Representatives and will be reviewed at the next Corporate Joint Consultative information meeting on 3<sup>rd</sup> March. The Head of Human Resources intends to send an email to the Trade Union representatives confirming the discussion outcome.



## 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> - A relationship management plan should be devised, focusing on improving relationships and understanding between management, operational staff and union representatives. Implementation of the strategy would benefit from an external mediator with the appropriate skills and knowledge to support the exercise.	H	Loss of staff due to absence or vacating posts / low moral resulting in poor service delivery.	Sourcing of independent, or external, support to develop the strategy.  Strategy to be developed through discussion with mixed group of officers, staff and union reps.  This will involve seeking feedback, consulting with the wider team.	Neighbourhood Services Manager	01 April 2022	<b>In part</b>
<b>Recommendation 2</b> - A process should be put in place to monitor the ongoing success of the relationship management plan. The plan should be	M	Loss of staff due to absence or vacating posts / low moral resulting in poor service delivery.	This will be developed through the ongoing discussions above.	Neighbourhood Services Manager	31 March 2023	<b>No</b>

revised in accordance with the outcome of ongoing monitoring.						
<b>Recommendation 3</b> - The relationship management plan should include a charter of acceptable behaviour between management, operational staff and union representatives. The charter should be subject to suitable consultation from all three stakeholders and agreed by all parties	M	Loss of staff due to absence or vacating posts / low moral resulting in poor service delivery.	Sourcing of independent, or external, support to develop the strategy.  Strategy to be developed through discussion with mixed group of officers, staff and union reps.  This will involve seeking feedback, consulting with the wider team.	Neighbourhood Services Manager	01 April 2022	No
<b>Recommendation 4</b> - Current routes should be reviewed to improve equality between workloads.	M	Inequitable workloads	This will be developed through the ongoing discussions above.	Neighbourhood Services Manager	31 March 2023	Yes
<b>Recommendation 5</b> - Management should create a communication plan to focus on improving the consistency and	M	Loss of staff due to absence or vacating posts / low moral resulting in poor service delivery.	Strategy to be developed through discussion with mixed group of officers, staff and union reps.	Neighbourhood Services Manager	30 April 2022	No

completeness of information provided to operational staff (the process should include consultation with staff)			This will involve seeking feedback, consulting with the wider team.			
<b>Recommendation 6</b> – The approach to grievances and disciplinaries should be reviewed to ensure it is timely and efficient.	M	Additional stress due to inefficient investigations	The HR team is now fully resourced and the new team is recognises the importance of and is committed to ensuring a proactive and timely approach to case management.	HR & Payroll Manager	Complete	<b>In part</b>
<b>Recommendation 7</b> – Union representatives should work with Human Resources and Health and Safety to ensure a consistent approach is taken to handling grievances, complaints and queries.	M	Inconsistent approach / additional workload for Union representatives.	The HR & Payroll Manager is working with colleagues and union representatives to draft a short protocol which sets out how various issues should be approached and what the expected process is for managing those issues. This will be reviewed on a regular basis at CJC to support continuation of issue resolution being managed in partnership	HR & Payroll Manager	15/12/2021	<b>Yes</b>

## Appendix B – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1 – Put an arrangement in place to maintain positive staff job satisfaction.	M	Staff job satisfaction deteriorates, further increasing grievances and disciplinaries.	Regular meetings of mixed staff group to continue, to maintain positive momentum and to also support the organisation through change (LGR).	Operations Manager	31 March 2023, then ongoing
Recommendation 2 – Management (including the <u>Corporate Director</u> ) to be regularly updated on the number of investigations, grievances and disciplinaries, along with the time taken to resolve individual cases.	M	Management are not able to make informed decisions on whether current strategies and processes are timely and effective.	Quarterly report to be produced summarising the number / status / progress of grievances, investigations and formal disciplinary processes. This can also include information about long-term sickness absence to give a clearer profile of the service.	HR / Head of Neighbourhoods	31 March for version 01, quarterly thereafter

**Appendix C – Advisory Comments**

Ref	Advisory Comment
5.1.7	Management may wish to consider if current survey results at least partly due to the well documented Hawthorne Effect (Elton Mayo) where an increase in performance was noted when staff were noticed, watched and paid attention to by researchers or supervisors.
5.2.3	As part of the process to maintain current levels of staff job satisfaction, management should decide whether a relationship management strategy should now be developed.
5.3.3	If a Relationship Management Strategy is developed, a process should be put in place to monitor ongoing success.
5.5.3	Round equity should be subject to regular management review.
5.5.4	Where team changes are made, management should record and retain evidence of staff involved.
5.6.4	As part of the process to maintain current levels of staff job satisfaction, management should decide if a communication strategy should be developed.

## Appendix D - 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 control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<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 embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</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 that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
<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-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

## Appendix E

### 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).





# Carlisle City Council

## Report to Audit Committee

Item  
A.4 (iii)

### Report details

Meeting Date:	17 March 2023
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	YES
Public / Private	Public
Title:	Internal Audit Report – Car Parking Income
Report of:	Corporate Director Finance & Resources
Report Number:	RD.73/22

### Purpose / Summary:

This report supplements the report considered on Internal Audit Progress 2022/23 and considers the risk-based Internal Audit review of Car Parking Income.

### Recommendations:

The Committee is requested to

- (i) receive the final audit report outlined in paragraph 1.1;

### Tracking

Executive:	Not applicable
Scrutiny:	Not applicable
Council:	Not applicable

## **1. Background**

- 1.1. An audit of Car Parking Income was undertaken by Internal Audit in line with the agreed Internal Audit plan for 2022/23. The audit (Appendix 1) provides reasonable assurances and includes 6 medium-graded recommendations.

## **2. Risks**

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

## **3. Consultation**

- 3.1 Not applicable

## **4. Conclusion and reasons for recommendations**

- 4.1 The Committee is requested to  
i) receive the final audit report outlined in paragraph 1.1

## **5. Contribution to the Carlisle Plan Priorities**

- 5.1 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 details:**

Contact Officer: Michael Roper

Ext: 7520

### **Appendices attached to report:**

- **Internal Audit Report – Car Parking Income– Appendix 1**

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

### **Corporate Implications:**

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

Property Services - None

Finance – Contained within report

Equality - None

Information Governance- None

# Audit of Car Parking Income

Draft Report Issued: 21 February 2023  
Director Draft Issued: 28 February 2023  
Final Report Issued: 3 March 2023



## Audit Report Distribution

<b>Client Leads:</b>	Parking & Enforcement Manager Finance Officer (Systems, Controls and Development)
<b>Chief Officer:</b>	Head of Neighbourhood Services Deputy Chief Executive Head of Financial Services Corporate Director of Finance & Resources Chief Executive
<b>Others:</b>	
<b>Audit Committee:</b>	The Audit Committee, which is due to be held on 16 <sup>th</sup> March 2023 will receive a copy of this report.

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

## 1.0 Background

- 1.1. This report summarises the findings from the audit of Car Parking Income. This was an internal audit review included in the 2022/23 risk-based audit plan agreed by the Audit Committee on 15<sup>th</sup> March 2022.
- 1.2. The parking and enforcement team are responsible for the enforcement of parking regulations under the Traffic Management Act 2004.
- 1.3. The Council also carries out cash collection duties on behalf of Cumbria County Council and Eden District Council.
- 1.4. Chipside (software development company) undertake the administration and chasing up of outstanding debts from Penalty Charge Notices (PCNS) on behalf of the Council. The contract also includes MiPermit (online parking permits).

## 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 Client Lead for this review was the Parking and Enforcement Manager and the Finance Officer (Systems, Controls and Development) 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 risks:
  - Failure to achieve business objectives due to insufficient governance.
  - Income is not appropriately & securely managed resulting in loss of income.
  - Ineffective processes & monitoring resulting in poor value for money and/or failure to meet legal obligations (including surveillance legislation).
  - Insufficient financial monitoring arrangements in place to ensure appropriate balance of maximising income and delivery of business objectives.
- 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 intended to assist Members and Officers in their assessment of the overall governance, risk management and internal

control frameworks in place. There are 4 levels of assurance opinion which may be applied (See **Appendix C** for definitions).

- 3.2 From the areas examined and tested as part of this audit review, we consider the current controls operating within Car Parking Income provide **reasonable** assurance. *Note: as audit work is restricted by the areas identified in the Audit Scope and is primarily sample based, full coverage of the system and complete assurance cannot be given to an audit area.*

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

- 4.1 There are two levels of audit recommendation; the definition for each level is explained in **Appendix D**. Audit recommendations arising from this audit review are summarised below:

Control Objective	High	Medium
1. <b>Management</b> - achievement of the organisation's strategic objectives achieved (see section 5.1)	-	-
2. <b>Regulatory</b> - compliance with laws, regulations, policies, procedures and contracts (see section 5.2)	-	2
3. <b>Information</b> - reliability and integrity of financial and operational information (see section 5.3)	-	2
4. <b>Security</b> - safeguarding of assets (see section 5.4)	-	2
5. <b>Value</b> – effectiveness and efficiency of operations and programmes (see section 5.5)	-	-
<b>Total Number of Recommendations</b>	<b>-</b>	<b>6</b>

- 4.2 Management response to the recommendations, including agreed actions, responsible manager and date of implementation are summarised in Appendix A. Advisory comments to improve efficiency and/or effectiveness of existing controls and process are summarised in Appendix B for management information.
- 4.3 **Findings Summary (good practice / areas for improvement):**  
The service has made several improvements since the previous audit report in March 2020. Documented guidance and processes have been improved, including external / internal bookings for car parks. Electronic parking permits are now in place and working well.

An up-to-date structure is in place which is supported by appropriate job descriptions. The team have relevant qualifications for their roles.

There are four operational risks recorded on SharePoint which are regularly monitored in line with the Corporate Risk Management Framework.

Improvements are needed to strengthen both the safety and security controls for the cash office and cash collection protocols.

The annual parking enforcement activity reports remain outstanding, initially due to the Covid-19 pandemic and latterly due to staff absence. This should be addressed to ensure that the Council complies with the Traffic Management Act 2004 (TMA).

Management should regularly monitor outstanding debt for PCNs. (Penalty Charge Notices) and record management approval for any challenged / cancelled PCNs.

The Council provides bodycams, mobile phones and lone working devices to the team for additional security whilst they undertake their roles.

The team are aware of lone working procedures, risk assessments and controls. They all have access to documented guidance and legislation.

Income is regularly collected, banked and reconciled. No issues were noted during audit testing.

**Comments from the Deputy Chief Executive**

The 6 recommendations contained in this report are welcomed and will be / are already being implemented. This audit work will also be useful to the successful transition to the new Cumberland Council.

## 5.0 Audit Findings & Recommendations

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

- 5.1.1 There is an up-to-date staff structure in place with relevant job descriptions.
- 5.1.2 The Executive approved a Local Environmental Crime, Action and Enforcement Strategy (Incorporating Litter Strategy) on 2/09/2021. The Strategy consolidates Council responsibilities for maintaining clean streets and neighbourhoods in a single document. It also highlights the wide-ranging activities of the enforcement team, raising awareness and taking robust enforcement action against those responsible for committing enviro-crimes.
- 5.1.3 The current service plan is for 2021/22. It remains relevant and management regularly monitor objectives.
- 5.1.4 There are four car parking operational risks. They all have suitable control strategy / mitigating actions and were last reviewed in January 2023, in line with the Corporate Risk Management Policy.
- 5.1.5 Management meet regularly. The team are updated at meetings, 1 to 1s and by email.
- 5.1.6 Management regularly run and review reports provided by Chipside.
- 5.1.7 Documented staff procedures and guidance are in place.
- 5.1.8 Staff have annual appraisals, although individual dates require update on SharePoint.
- 5.1.9 Management have regular meetings with Finance to discuss the budget. Income is lower than expected and regularly monitored.



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

**5.2.1** A Penalty Charge Notice (PCN) privacy statement on the Council's website confirms use of personal information (to issue a PCN), sharing and retention.

**5.2.2** The Council's retention schedule includes Car Parking documentation.

**5.2.3** Under the Traffic Management Act 2004 (TMA) the Council must complete and publish an annual parking enforcement activity report. The 2019/20 report was the last published report. At the time of the audit a draft report covering 2020/21 is complete, but not published. Following the Covid-19 pandemic and more recent staff absences, the 2021/22 draft report is not finalised.

**Recommendation 1 – The annual parking enforcement report for 2021/22 should be finalised and published on the Council's website, along with the 2020/21 report.**

**5.2.4** The Council has the power to undertake Enforcement and Traffic Regulation Orders (TRO) and variation notices. No TRO's have been issued since the previous audit report in March 2020.

**5.2.5** The Council Surveillance Camera policy states that, 'Council officers are not to purchase cameras that can be used for monitoring audio conversations or be used to talk to individuals without sign off by a member of the Senior Management Team as this is normally considered an unnecessary invasion of privacy'. Civil Enforcement Officer (CEO) body cameras were purchased prior to the implementation of the policy. The Deputy Chief Executive has approved their use in line with policy requirements. The team confirmed access to the policy.

**5.2.6** CEOs confirmed access to a procedures / training manual which refers to their code of practice and relevant legislation.

**5.2.7** Enforcement Team members have an NVQ 2 Car Parking qualification. Cash Collectors have a NOCH Level 2 Cash & Values in Transit qualification and a valid Cash & Valuables in Transit Licence.

**5.2.8** All of the team have had a relevant DBS check.

**5.2.9** The Council collect cash from car parks on behalf of Cumbria County Council (CCC) and Eden District Council. At the time of the audit, both contracts had expired. The Parking & Enforcement Manager provided an email from both authorities confirming existing

arrangements will remain in place until reviewed as part of Local Government Re-organisation (LGR).

**5.2.10** Invoices to CCC and Eden were reviewed. Charges were in line with expired contracts. Quarter 1 & 2 invoices were paid.

**5.2.11** Loomis (cash management specialist company) collect car parking cash income once per week. At the time of the audit, there was no signed contract in place. Car park cash income collection will be reviewed as part of Local Government Re-organisation.

**5.2.12** Six Payment Services (payment solutions company) administer electronic payments at ticket machines. There is an agreement in place, although the copy provided during the audit had not been signed by Six Payment Services.

**5.2.13** Chipside administer MiPermit (online parking permits) and follow-up outstanding debt from Penalty Charge Notices (PCNs) on behalf of the Council. The contract signed by both parties expires on 30th April 2024. It includes a section on customer data protection. Although Chipside are the Data Processor for the Authority, a Data Protection Impact Assessment could not be located. In addition, it was not possible to establish how long Chipside retain the electronic documentation for.

**Recommendation 2 – The following should be undertaken:**

**-Establish how long Chipside retain the electronic documentation for and ensure this is adequate for the Council needs.**

**-A Data Protection Impact Assessment should be completed.**

**5.2.14** Safe-working risk assessments including lone working, working outside, cash collection, handling and depositing etc are regularly reviewed.

**5.2.15** Digital saver permits are purchased online via 'My Permit'. CEO's confirm valid permits using a hand-held device.

**5.2.16** There are documented procedures for car park booking requests.

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

- 5.3.1** Cash is regularly collected from car park ticket machines, counted and banked.
- 5.3.2** A random sample of income was tested, with no issues noted.
- 5.3.3** Finance regularly reconciles all car parking income.
- 5.3.4** Car parking income stream guidance is in place, but does not include issue date, author, version number or review date.
- 5.3.5** All cash income overs / unders tested were successfully traced from the accounting system to the discrepancy report. Larger differences are investigated and recorded.
- 5.3.6** No examples were noted where safe value exceeded its holding limit.
- 5.3.7** The latest Community Services Charges Review Report 2022/23 was agreed by the Executive in December 2021. Charges matched those advertised on the Council's website.
- 5.3.8** PCN charges are not included within the Fees & Charges Report or on the website. Charge levels are set by Central Government; Carlisle City Council has adopted a £50 charge for a lower-level contraventions and £70 for higher-level. If paid within 14 days a 50% reduction applies.
- 5.3.9** The Parking & Enforcement Manager confirmed that that fees & charges for electric charging points in car parks will be reviewed by the new Cumberland Council.
- 5.3.10** Guidance Policies for the Enforcement and Cancellation of PCNs have been documented.
- 5.3.11** At the time of the audit review the following weaknesses were highlighted:
- Although system access to cancel parking fines is restricted, evidence to record management approval of challenged / cancelled PCNs is not always retained.
  - Since the Covid-19 pandemic, the Parking & Enforcement Manager has not received a copy of the monthly statistics report from the Council's bailiff for non-payment of PCNs and this outstanding debt is not regularly monitored.

**Recommendation 3 – Management should regularly monitor outstanding debt for PCNs. (Penalty Charge Notices) and record management approval for any challenged / cancelled PCNs.**

**5.3.12** Quarter 1 & 2 fines written off have been appropriately approved and reported to the Executive.

**5.3.13** Guidance is documented for car park inspections. Six-monthly inspections are recorded on a spreadsheet, although some inspection dates were missing. As a result, it was not possible to clearly establish when some of the car parks were last inspected.

**Recommendation 4 – Car park inspections should be undertaken with the required frequency and details of the inspections including the inspection date should be recorded on the spreadsheet.**

## **5.4 Security – Safeguarding of Assets**

**5.4.1** CEO's use a bodycam and must complete relevant information governance e-learning. GDPR training is overdue for one officer. All officers have completed Cyber Security Training.

**5.4.2** A form is used to sign bodycams in/out and record pre-use checks. Two recent completed forms were provided although forms from 2022 could not be located.

**5.4.3** Bodycam recording is activated only when necessary. Individuals are advised of visual and audio recording and given an information card.

**5.4.4** The Council owns the bodycams and has a cloud agreement with Wireless CCTV (mobile surveillance provider company). The agreement is dated 12/10/22, although airtime expiry dates for devices stated 1/7/2021. The Parking & Enforcement Manager provided a copy of the latest invoice which confirmed agreement for two years from 1/7/21 to 1/7/23.

**5.4.5** Cash collectors and CEO's use lone working devices owned by People Safe (employee safety business). A 12-month contract is in place for each device, including a 24 hour call centre. Officers confirmed that device checks are completed but not always prior to use. Faulty devices are returned for replacement.

**Recommendation 5 – Lone working device checks should be recorded prior to use. Relevant procedures / guidance should be updated for CEO's and Cash Collectors.**

**5.4.6** There are CCTV cameras in some Council owned and managed car parks. The Parking & Enforcement Manager confirmed they are old and no longer fit for purpose. Options for replacing / upgrading the CCTV will be reviewed as part of LGR.

**5.4.7** The cash office is also monitored by CCTV which is viewed intermittently. A spreadsheet records CCTV checks and maintenance.

**5.4.8** If CCTV coverage is requested (usually via email), a Surveillance Camera Viewing / Footage request Form must be completed and returned. No issues were raised following the last two requests.

**5.4.9** There are CCTV Surveillance Camera Operating Procedures for car parking. They have a version number but no author, issue or review date.

**5.4.10** Cash collecting guidance is documented. It does not include cash office opening and closing, nor the requirement for lone working devices to be checked prior to use. (**See Recommendation 5 & 6**)

**5.4.11** Audit observed officers returning from ticket machine emptying and the following was noted:

- When collecting cash and loading/ unloading van, officers are required to wear a uniform, including toe protection footwear, a high viz bib and a safety helmet. Only one of the team had a helmet issued. Audit were advised that there is difficulty sourcing the bespoke safety helmets.
- One of the officers has chosen not to wear ear protection whilst the noisy coin machine is in use.
- The van was washed prior to the coin boxes being unloaded, counted and secured at the cash office.
- The two doors (storeroom & cash office) remained open while the coins were counted, banked and secured. This measure was introduced during the Covid-19 pandemic for work area ventilation.
- There is no documented opening & closing procedure for the cash office.

**Recommendation 6 – Resolve the following safety and security weaknesses:**

- **Safety helmets should be procured and issued.**
- **Seek health & safety advice regarding ear defender use and cash handling with open doors.**
- **Cash should be unloaded and secured immediately.**
- **Develop an opening & closing procedure.**

**5.4.12** Further guidance is needed for unaccounted foreign coins held in the safe.

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

- 5.5.1** A web-office system is used to monitor Council owned ticket machines. The system is checked daily for ticket machine faults. An engineer is called if officers cannot fix it.
- 5.5.2** Documented Pay and Display machine maintenance guidance does not include bi-annual cash collector maintenance checks.
- 5.5.3** Members have approved free car parking initiatives. For example, weekends and bank holidays in city centre car parks, to support the post Covid-19 high street recovery.
- 5.5.4** Management monitor the service using various reports, including appropriate use of free three hour parking at the Sands Centre for gym members.

## Appendix A – Management Action Plan

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 1: The annual parking enforcement report for 2021/22 should be finalised and published on the Council's website, along with the 2020/21 report.	M	Failure to comply with the relevant legislation.	The 2020/21 report will be published on the website.	Parking & Enforcement Manager	10/03/2023
			The 2021/22 report will be finalised & published on the website.		31/03/2023
Recommendation 2: The following should be undertaken: -Establish how long Chipside retain the electronic documentation for and ensure this is adequate for the Council needs. -A Data Protection Impact Assessment should be completed.	M	Non-compliance with GDPR legislation and failure to control records management.	Chipside retain data inline with Council retention policy & destroy data when authorised to do so by the Parking & Enforcement Manager.	Parking & Enforcement Manager	28/02/23
			A Data Protection Impact Assessment will be completed.	Parking & Enforcement Manager	31/03/23

Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 3: Management should regularly monitor outstanding debt for PCNs. (Penalty Charge Notices) and record management approval for any challenged / cancelled PCNs.	M	There is a risk of loss of income to the Council if outstanding debt for PCNs is not regularly monitored.	Management to ensure weekly meetings to discuss PCNs are minuted and details recorded on the spreadsheet.  Monthly management checks will be undertaken.	Parking & Enforcement Manager	31/03/23
Recommendation 4: Car park inspections should be undertaken with the required frequency and details of the inspections including the inspection date should be recorded on the spreadsheet.	M	Failure to regularly undertake and record car park inspections may increase the risk of officers and members of the public being put at risk, for example slips, trips and falls.	Spreadsheet will be updated after each inspection and inspection forms to be scanned and retained in relevant folder.	Parking & Enforcement Manager	31/03/23



Summary of Recommendations and agreed actions					
Recommendations	Priority	Risk Exposure	Agreed Action	Responsible Manager	Implementation Date
Recommendation 5: Lone working device checks should be recorded prior to use. Relevant procedures / guidance should be updated for CEO's and Cash Collectors.	M	Safeguarding of assets is not effective because of inadequate safeguarding arrangements.	Procedures will be updated and Lone working devices will be checked prior to each use.	Parking & Enforcement Manager	10/03/23
Recommendation 6: Resolve the following safety and security weaknesses: -Safety helmets should be procured and issued. -Seek health & safety advice regarding ear defender use and cash handling with open doors. -Cash should be unloaded and secured immediately. -Develop an opening & closing procedure.	M	Safeguarding of assets is not effective because of inadequate safeguarding arrangements.	In the interim an alternative head protection will be sourced until a specialised safety helmet can be procured.  H & S advice has been received & will be acted upon.  Cash will be unloaded and secured immediately.  An opening and closing procedure will be developed and implemented.	Parking & Enforcement Manager	03/03/23  03/03/23  03/03/23  03/03/23

**Appendix B – Advisory Comments**

Ref	Advisory Comment
5.1.8	The dates of individual officer appraisals should be recorded in the appraisal spreadsheet on SharePoint.
5.3.4	Finance income procedures should include version number, issue date, author and review date.
5.4.2	Forms used to sign bodycams in/out and record pre-use checks should be retained for an agreed period.
5.4.9	Surveillance Camera Operating Procedures should include issue date, author and review date.
5.4.12	Document guidance for unaccounted foreign coins currently held in the safe.
5.5.2	The relevant documented guidance should include bi-annual cash collector maintenance checks.

## Appendix C - 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 control framework tested are suitable and complete are being consistently applied.</p> <p>Recommendations made relate to minor improvements or tightening of embedded control frameworks.</p>
<b>Reasonable</b>	There is a reasonable system of internal control in place which should ensure system objectives are generally achieved. Some issues have been raised that may result in a degree of unacceptable risk exposure.	<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 embedded.</p> <p>Any high graded recommendations would only relate to a limited aspect of the control framework.</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 that have been identified. The level of non-compliance and / or weaknesses in the system of internal control puts achievement of system objectives at risk.	<p>There is an unsatisfactory level of internal control in place. Controls are not being operated effectively and consistently; this is likely to be evidenced by a significant level of error being identified.</p> <p>High graded recommendations have been made that cover wide ranging aspects of the control environment.</p>
<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-existence or non-compliance with basic controls which leaves the system open to error and/or abuse.</p> <p>Control is generally weak/does not exist.</p>

## Appendix D

### Grading of Audit Recommendations

Audit recommendations are graded in terms of their priority and risk exposure if the issue identified was to remain unaddressed. There are two levels of audit recommendations; 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).



# Carlisle City Council

## Report to Audit Committee

Item  
A.5

### Report details

Meeting Date:	17 March 2023
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	AUDIT COMMITTEE ANNUAL REPORT 2022/23
Report of:	CHAIR OF AUDIT COMMITTEE
Report Number:	RD.64/22

### Purpose / Summary:

This report provides a summary of the work undertaken by the Audit Committee during 2022/23.

### Recommendations:

It is recommended that the Audit Committee note and accept this report for recommendation to Council.

### Tracking

Audit Committee	16 March 2023
Council:	28 March 2023

## 1. Background

- 1.1. In accordance with paragraph 3.3 of the Audit Committee's Rules of Governance - attached to this report for Members' information as Appendix A - the Chair of the Audit Committee is required to present an Annual Report on the work of the Audit Committee to the full Council.

## 2. Purpose of the report

- 2.1 This report summarises the work carried out by the Audit Committee during 2022/23. It demonstrates to Council and stakeholders the effectiveness of the Committee in maintaining the organisation's internal control environment and governance arrangements.

## 2.2 The Committee

The Members of the Audit Committee for this municipal year are -

<b>Conservative</b>	<b>Labour</b>	<b>Independent and Lib Dem</b>
Cllr Mrs Finlayson (Vice Chair)	Cllr Mrs Birks	Cllr Bomford (Chair)
Cllr Lishman	Cllr Ms Patrick	Cllr Betton
Cllr Mrs Mitchell	Cllr Dr Tickner (Sub)	Cllr Pickstone (Sub)
Cllr Collier (Sub)	Cllr Alcroft (Sub)	
Cllr Mrs McKerrell (Sub)		
Cllr Shepherd (Sub)		

- 2.2.2 This Report covers the meetings of the Audit Committee held on:

8<sup>th</sup> July 2022

27<sup>th</sup> July 2022

28<sup>th</sup> September 2022

10<sup>th</sup> November 2022 (Special)

8<sup>th</sup> December 2022

16<sup>th</sup> March 2023

Details of the agenda items covered at each meeting are given at **Appendix B**.

- 2.2.3 The External and Internal Auditors, the Portfolio Holder for Finance, Governance and Resources, the Corporate Director of Finance and Resources, the Corporate Director of Governance & Regulatory Services and the Designated Head of Internal Audit are invited to all Committee meetings. The Committee can seek attendance

from any officer or Member of the Executive and has exercised this right on several occasions.

2.2.4 At each meeting the Committee receives, for information purposes, the minutes of the relevant scrutiny panel.

2.2.5 Training is an essential element for an Audit Committee. The Committee received annual training and are updated on statutory accounting requirements and are alert to the possibility of areas in which their knowledge could be extended.

## **2.3 External Audit**

2.3.1 The Audit Committee received and approved the external auditor's Annual Audit Plan. It commented on the fee rates and work programme consultation carried out by Grant Thornton based on fees set by Public Sector Audit Appointments Ltd, the independent company set up by the Local Government Association with delegated statutory functions to set audit fees and make arrangements for certain audits.

2.3.2 The Audit Committee also received the Annual Findings Report in relation to the Statement of Accounts for 2021/22. A judgement was included in the External Auditor's Annual Report indicating whether the Council has adequate arrangements to secure Value for Money in the use of resources. This judgement for 2021/22 is considered elsewhere on the agenda.

2.3.3 Finally, the External Auditor also provided the Committee with informative updates on key areas of interest in Local Government which were well received by the Committee and which the Committee referred on to other groups who may find them useful, e.g. Executive or Council.

2.3.4 The proposed external audit fee for 2022/23 m ,was £70,383.

## **2.4 Internal Audit**

2.4.1 The Committee has overseen the work undertaken by Internal Audit throughout the year, including the delivery of the Annual Audit Plan.

2.4.2 The Internal Audit Plan focused on a Risk Based approach to establishing which reviews to undertake and where resources should be focussed.

2.4.3 The Committee received quarterly update reports from Internal Audit highlighting performance against the plan as well as reports of completed reviews. Each report is supplemented by a verbal update on key areas of success or concern in each completed audit review from the Designated Head of Internal Audit and the Audit Services Manager.

2.4.4 The Committee also received updates on the progress against Audit recommendations and monitors closely where these are not completed to a satisfactory level.

2.4.5 As of the date of this meeting, the Committee had received fourteen final reports with the following assurance levels.

<u>Assurance Level</u>	<u>Number of Final Reports</u>
Substantial	2
Reasonable	9
Partial	1
n/a	2
Total	14

2.4.6 As at the date of this meeting, 73% (14 of 19) of planned reviews have been finalised to draft stage. Three remaining reviews is in progress and two have been removed from the plan (with some alternative assurances obtained for both). At the time of writing this includes 1 report that has been issued in draft but is still with the Corporate Director for final approval. If approved, this report is included elsewhere on the agenda.

2.4.7 The Committee concentrates its attention to high priority recommendations made in reports. Where a report carries a partial assurance level, the Committee usually receives a verbal update from the relevant Chief Officer or Service Manager to outline how the review is being dealt with and how the assurance can be improved. Where a partial assurance is given, the Internal Audit team will perform a formal follow up within six months and report back to the Audit Committee to outline how recommendations have been implemented and whether the assurance level has increased.

2.4.8 The Internal Audit team operate under the guidelines laid down by the Public Sector Internal Audit Standards and the Council also has an Audit Charter in place that is brought to the Committee for approval annually.

2.4.9 Internal Audit also provide assurance through an Annual Report that the Council's overall control environment is satisfactory and whether any key weaknesses should be addressed in the Annual Governance Statement. This report was received in July 2022 and highlighted no new areas of concern.

## **2.5 Accounts**



- 2.5.1 The Committee considered the Council's final statement of accounts for 2021/22 at its meeting in November, also receiving the External Auditor's Audit Findings Reports.
- 2.5.2 The External Auditor also reported whether the Council has proper arrangements in place for securing Value for Money. This is considered elsewhere on the agenda.
- 2.5.4 The Committee will receive the Annual Audit Letter once the audit is concluded.

## **2.6 Corporate Governance**

- 2.6.1 The Committee is responsible for ensuring the Council meets the requirements of the Code of Corporate Governance and the Good Governance Principles. The CIPFA/SOLACE document 'Delivering Good Governance in Local Government: Framework's core principle is that local government develop and shapes its own approach to governance. The Council has a Local Code of Corporate Governance and Good Governance Principles which the Committee have previously reviewed.

## **2.7 Treasury Management**

- 2.7.1 The Audit Committee has responsibility for monitoring the Council's arrangements for Treasury Management and received reports for scrutiny on a quarterly basis, together with consultation on the proposed Treasury Management Strategy Statement.
- 2.7.2 The Committee take a keen interest in Treasury Management matters and question Officers around the security of the Council's investments and its approach to capital financing.

## **2.8 Risk Management Monitoring**

- 2.8.1 The Committee has received regular updates on the risk management process and that the corporate risk register is being looked at on a regular basis. It is not the Committee's duty to determine that risks are being correctly identified and managed, more that the process of monitoring risks is being adhered to and that regular updates on risk management are given to the Executive and Scrutiny Panels where appropriate.

## **2.9 Fraud Prevention and Whistleblowing**

- 2.9.1 The promotion of fraud awareness is important to Audit Committee Members who encourage officers in their efforts. Any incidences of fraud are reported to the Committee through the Internal Audit quarterly reports.

## **3. Conclusion and reasons for recommendations**

- 3.1 Audit Committees are a key component of an authority's governance framework. The purpose of an audit committee is to provide independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process. By overseeing internal and external audit, it makes an important contribution to ensuring that effective assurance arrangements are in place.
- 3.2 The Audit Committee's annual report (together with the Audit Committee Minutes which are reported to Council throughout the year) provides the Council with information to show how the Audit Committee has fulfilled its role during the year and provides independent assurance to the Council on the adequacy of the risk management framework, the internal control environment and the integrity of the financial reporting and annual governance process.
- 3.3 Covid restrictions on workplace practices have forced some delays which have been largely overcome by the hard work of the officers and external auditors. My thanks to them along with the Vice Chair and the Committee for their support and understanding.

#### **4. Contribution to the Carlisle Plan Priorities**

- 4.1 The Audit Committee ensures that an effective governance framework is in place to underpin the delivery of Carlisle City's Priorities.

#### **Contact details:**

Contact Officer: Steven Tickner Ext: 7280

#### **Appendices attached to report:**

<b>Appendix A</b>	<b>Rules of Governance</b>
<b>Appendix B</b>	<b>Audit Committee Agendas</b>

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

#### **Corporate Implications:**

**Legal** - The administration of the Council and its financial transactions must be subject to some form of check and accountability. In addition to political accountability through elected members and central government, and judicial review through the courts, there is accountability and control through the audit system. Internal audit controls are governed mostly by the non-statutory codes of practice developed by the profession. External audit controls are subject to a much greater body of law and, while always important, became more extensive in recent years. This Report forms part of our Governance procedure to provide reassurance that the Council operates properly and that there are checks in place to ensure maintain and improve that position.

**Property Services** - None

**Finance** - It is best practice for the Chair of the Audit Committee to prepare an Annual Report outlining the work undertaken by the Audit Committee during the year.

**Equality** - None

**Information Governance** - There are no information governance implications with this report

## RULES OF GOVERNANCE

### 1. **STATEMENT OF PURPOSE**

- 1.1 The purpose of an Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

### 2. **TERMS OF REFERENCE**

#### 2.1 **Audit Activity**

To consider the Designated Head of Internal Audit's annual report and opinion, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.

To consider summaries of specific internal audit reports as requested.

To consider reports dealing with the management and performance of the providers of internal audit services.

To consider a report from internal audit on agreed recommendations not implemented within a reasonable timescale.

To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

To consider specific reports as agreed with the external auditor.

To comment on the scope and depth of external audit work and to ensure it gives value for money.

To liaise with Public Sector Audit Appointments Ltd over the appointment of the Council's external auditor.

To commission work from internal and external audit.

#### 2.2 **Regulatory Framework**

To maintain an overview of the Council's Constitution in respect of Contract Procedure Rules, Financial Regulations and relevant Codes of Conduct.

To review any issue referred to it by the Town Clerk and Chief Executive or a Chief Officer, or any Council body.

To monitor the effective development and operation of risk management and corporate governance in the Council.

To monitor Council policies on "Raising Concerns at Work" and the anti-fraud and anti-corruption strategy and the Council's complaints process.

To oversee the production of and approve the authority's Annual Governance Statement.

To consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice.

To consider the Council's compliance with its own and other relevant published standards and controls.

### **2.3 Accounts**

To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

To approve the Annual Statement of Accounts, income and expenditure and balance sheet. To consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Council.

To approve the Letter of Representation

## **3. ACCOUNTABILITY**

- 3.1 The Audit Committee shall be a stand-alone Committee of the Council. All Audit Committee members shall act in the interests of the Council and not on behalf of any political party, constituency, ward, or interest group.
- 3.2 The Chair of the Audit Committee shall be appointed by the Committee. The Chair and the Committee shall ensure that relevant issues are promptly brought to the attention of the Executive, Overview and Scrutiny Panels and Regulatory Committees or the full Council.
- 3.3 The Chair of the Audit Committee shall present an Annual Report on the work of the Audit Committee to the full Council.

## **4. AUTHORITY AND ACCESS**

- 4.1 The Audit Committee has a right to request relevant information from appropriate or relevant Members and Officers of the Council.
- 4.2 The Audit Committee shall not be able to transact the powers, functions and duties reserved to the full Council, the Executive, Overview and Scrutiny Panels and other Regulatory Committees.
- 4.3 The Audit Committee shall have access to in-house financial, legal and any other professional advice necessary to carry out its functions.
- 4.4 The Chair of the Audit Committee and the external and internal auditor shall meet as necessary and the Council's Designated Head of Internal Audit shall provide necessary services and support and assistance to the Audit Committee.
- 4.5 Any Member, Officer or member of the public who has any concern covered by the Terms of Reference of the Audit Committee may raise the matter with the Chair of the Committee who shall obtain, if necessary, relevant advice from the Council's Monitoring Officer or the Section 151, Corporate Director of Finance and Resources before taking any action with regard to the same.

## **5. MEMBERSHIP**

- 5.1 Audit Committee members shall be appointed by the Council and consist of 7 members in accordance with the rules governing political balance. No member of the Executive and no chair of the Overview and Scrutiny Panels shall be eligible to be a member of the Audit Committee.

- 3.1 The Audit Committee shall be provided with administrative support by the Governance & Regulatory Services Directorate and reports/decisions of the Audit Committee shall be recorded and published on CMIS in the usual way. Financial Services shall provide technical support to the Committee when required. As the decisions of the Audit Committee shall not be of an executive nature, the decisions shall not be the subject of a request for call-in. If any Member is concerned about any decision of the Audit Committee, s/he should raise the matter with the Chair of the Audit Committee, the Monitoring Officer and/or the Section 151 Finance Officer and/or ask an oral question of the Chair of the Audit Committee at the Council meeting in accordance with the relevant Council Procedure Rules.

## **6. ATTENDANCE**

- 6.1 The Audit Committee shall meet on a regular basis as provided for in paragraph 7 below. Officers and others may attend all or part of the meeting at the invitation of the Committee. Attendees may include:

- The Leader or Deputy Leader
- The Portfolio Holder for Finance
- Portfolio Holders
- Town Clerk and Chief Executive
- Corporate Director of Finance and Resources (Section 151)
- Corporate Director of Governance and Regulatory Services (Monitoring Officer)
- Designated Head of Internal Audit
- Other Chief Officers and Managers, as required

- 6.2 Subject to the relevant meeting complying with the Access to Information paragraphs for the exclusion of members of the public, the Audit Committee shall at least annually meet:
- (i) in private, with the external and internal auditors together; and/or
  - (ii) in private, with the external auditor.

## **7. MEETINGS**

- 7.1 The Audit Committee shall meet at least four times a year in accordance with the schedule of meetings agreed by the Council. The External Auditor or the Designated Head of Internal Audit may request a meeting if they consider it necessary and other special meetings may be called in accordance with the Council's Procedure Rules.
- 7.2 The members of the Audit Committee shall commit to receiving appropriate training and development necessary to fulfil their roles.

## **8. QUORUM**

- 8.1 The quorum for any meeting shall be one quarter of the elected members of the Committee, subject to there being not less than two elected members present at any time.

## **9. WORK PROFILE OF THE AUDIT COMMITTEE**

- 9.1 In furtherance of the Terms of Reference and not otherwise, the Audit Committee is likely to receive and advise upon the following areas of work:
- Whether there is an appropriate culture of risk management and related control throughout the Council;
  - the Annual Governance Statement;

- the annual Statement of Accounts, including changes in and compliance with accounting policies and practices, major judgemental areas and significant adjustments resulting from the audit;
- significant changes required to Financial Procedure Rules and the Contracts Procedure Rules.
- the framework and processes for risk assessment, analysis and management within the Council;
- the effective co-ordination between internal and external audit;
- the budget needed to resource effective internal and external audit and other responsibilities of the Audit Committee; and
- generally, on how the Audit Committee could add value to the work and operation of the Council.

## 9.2 External Audit and Inspection Agencies

- To note the fees and terms of engagement of the external auditor.
- To review the planned programme of work with the external auditor.
- To consider the annual statutory audit and to advise the Executive on any response to any audit management letters, reports and investigations, including Value for Money studies and other inspection reports.
- To review whether agreed external or internal audit or inspection recommendations have been implemented by the Executive as timetabled.
- To discuss with the external auditor any problems, reservations or issues arising from the interim or final audit or other investigations.
- To review the external auditor's independence and objectivity and annually appraise the Executive on the effectiveness and value for money of the external audit service.

## 9.3 Corporate Governance Framework

- To review and advise the Executive on the embedding and maintenance of an effective system of corporate governance including internal control and risk management.
- To give an assurance to the Council that there is a sufficient and systematic review of the corporate governance, internal control and risk management arrangements within the Council.
- To review the Annual Governance Statement and make appropriate recommendations to the Council, the Executive, the Overview and Scrutiny Panels and Regulatory Committees.
- To ensure that any significant weaknesses identified are remedied.
- To commission, if necessary, any relevant investigations into matters of particular concern relating to internal control.

- To ensure that the impact of any alleged or fraudulent activity on the Council's framework of internal control is reviewed and, where necessary, to recommend changes to strengthen the control framework.
- To receive reports relating to those aspects of whistle blowing or alleged or actual fraudulent activity which relate to the Terms of Reference of the Audit Committee.

#### 9.4 Internal Audit

To review and make recommendations to the Executive regarding:

- The effectiveness of internal audit;
- the internal audit function to ensure it is adequately resourced;
- the internal audit strategy, annual plan and to monitor delivery of the plan;
- any internal audit protocols and policies;
- significant audit findings, together with the response from managers to these reports;
- any difficulties encountered by internal audit including any restrictions on the scope of activities or access to required information;
- agreed internal audit recommendations to ensure they are implemented by management as timetabled; and
- the annual report from the Designated Head of Internal Audit.

#### 9.5 Other

- To consider and make recommendations to the Executive on:
- the selection and terms of appointment of other appropriate advisors and consultants;
- governance issues relating to the operation of the Audit Committee, and
- the proportionality, independence, and appropriateness of any of the Council's policies relating to any audit or governance matters;
- such other matters of an audit, financial or governance nature as fall within the terms of reference of the Committee or as may be referred by the Council.



**Audit Committee Agenda's**

**8<sup>th</sup> July 2022**

- A1. External Audit Plan 2021/22
- A2. Internal Audit Progress (April - June)
  - Internal Audit Report – Property Income
  - Internal Audit Report – Sands Centre Development
  - Internal Audit Report – Council Tax
  - Internal Audit Report – Recycling (Performance Information)
  - Internal Audit Report – Development Management (Complaints)
  - Internal Audit Report – Future High Street Fund
  - Internal Audit Report – Creditors
  - Internal Audit Report – Main Accounting System
  - Internal Audit Report – Procurement (Counter Fraud)
- A3. Internal Audit Annual Report 2021/22
- A4. Internal Audit Compliance with Public Sector Internal Auditing Standards (self-Assessment)
- A5. Housing Benefit Subsidy 2020/21
- A6. Treasury Management Outturn 2021/22
- A7 Technical Update and Consultations
- B1. Internal Audit Report – ICT Recommendations
- B2. Internal Audit Report – Cyber Security

**27<sup>th</sup> July 2022**

- A1. External Auditor's progress report and sector update
- A2. Draft Statement of Accounts 2021/22
- A3. Draft Annual Governance Statement 2021/22

**28<sup>th</sup> September 2022**

- A1. External Audit Progress Report and sector update
- A2. Internal Audit Progress Report 2022/23 (July to September)
  - Internal Audit Report – Absence Management
- A3. Treasury Management April – June 2022
- A4. Treasury Management Practices – TMP's
- A5. Technical Update and Consultation Responses
- A6. Effectiveness Review of the Audit Committee – Training Programme

**10<sup>th</sup> November 2022 (Special)**

- A1. Draft Audit Findings report 2021/22 for Carlisle City Council
- A2. Statement of Accounts 2021/22
- A3. Letter of Representation 2021/22

#### 8<sup>th</sup> December 2022

- A1. Internal Audit Progress 2022/23 (October – November)
  - Internal Audit Report – Corporate Internal Controls
  - Internal Audit Report – Risk Management
  - Internal Audit Report – Fleet Management Strategy
  - Internal Audit Report – Sustainable Warmth Grant
  - Internal Audit Report – Financial Services Governance
  - Internal Audit Report – Bereavement Services
  - Internal Audit Report – Treasury Management
- A2. Treasury Management Quarter 2 2022/23
- A3. Statement of Accounts 2022/23 – Update

#### 16<sup>th</sup> March 2023

- A1. Minutes of the People Panel
- A2. External Auditor's annual report on Carlisle City Council
- A3. Value for Money Conclusion
- A4. Internal Audit Progress Report 2022/23 (December 2022 to February 2023)
  - Internal Audit Report – National Non Domestic Rates
  - Internal Audit Report – Neighbourhoods (Culture)
  - Internal Audit Report – Car Parking Income
  - Internal Audit Report – Town Deal – Business Assurance Framework
- A5. Audit Committee's Annual Report
- A6. Treasury Management Monitoring Report Q3
- A7. Internal Audit Annual Report 2022/23
- A8. Draft AGS and Narrative Statement

# Carlisle City Council

## Report to Audit Committee

Item  
A.6

Meeting Date: 17 March 2023  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Policy and Budget Framework: YES  
Public / Private: Public

Title: TREASURY MANAGEMENT OCTOBER TO DECEMBER 2022  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD 60/22

### Purpose / Summary:

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

### Recommendations:

That this report be noted.

### Tracking

Executive:	20 February 2023
Audit Committee:	16 March 2023
Council	n/a

# Carlisle City Council

## Report to Executive

Meeting Date: 20 February 2023  
Portfolio: Finance, Governance and Resources  
Key Decision: No  
Policy and Budget Framework: YES  
Public / Private: Public

Title: TREASURY MANAGEMENT OCTOBER TO DECEMBER 2022  
Report of: CORPORATE DIRECTOR OF FINANCE AND RESOURCES  
Report Number: RD 60/22

### **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 December 2022.

### **Tracking**

Executive:	20 February 2023
Audit Committee:	16 March 2023
Council	n/a

## **1. INTRODUCTION**

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 to October - December 2022

- **Appendix A1** – Treasury Transactions October to December 2022
- **Appendix A2** – Investment Transactions October to December 2022
- **Appendix A3** – Outstanding Investments at December 2022

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2022/23:

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

## **2. RISKS**

2.1 Treasury Management considers risks associated with investments with counterparties however the Treasury Management strategy statement outlines the risk management approach to minimise this.

## **3. CONSULTATION**

3.1 Consultation to Date.  
None.

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

4.1 That this report be received, and the Prudential Indicators noted as at the end of December 2022.

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

5.1 To ensure that the Council's investments are in line with the appropriate policies including the Treasury Management Strategy Statement.

**Contact Officer:** Emma Gillespie

**Ext:** 7289

**Appendices  
attached to report:**

**Appendix A1** – Treasury Transactions October to December 2022  
**Appendix A2** – Investment Transactions October to December 2022  
**Appendix A3** – Outstanding Investments at December 2022  
**Appendix B1** – Prudential Code background  
**Appendix B2** – Prudential Indicators

**Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:**

- **None**

**Corporate Implications:**

**Legal** - The Council has a fiduciary duty to manage its finances properly and the proper reporting of budget monitoring is part of this process.

**Property Services** – Not applicable

**Finance** - Included in the report

**Equality** - This report raises no explicit issues relating to the public sector Equality Duty

**Information Governance**- No implications

TREASURY TRANSACTIONS  
OCTOBER 2022 to DECEMBER 2022

1. LOANS (DEBT)1.1 Transactions October to December 2022

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0	0	0	0
Local Bonds	0	0	0	0
Short Term Loans	0	0	0	0
Overnight Borrowing	0	0	0	0
	<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. Procedures, adopted to map the cash flow more accurately, ensure better forecasting and limits the amount of short term/overnight borrowing which may be required.

1.2 Loans (Debt) Outstanding at December 2022

	£
P.W.L.B.	8,325,000
P.W.L.B.	4,250,000
Short Term Loans	12,800
	<b>12,587,800</b>

1.3 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Other £	Total £
Short Term Debt at end of December 2022	475,000	0	12,800	<b>487,800</b>

1.4 Interest Rates

Bank base rates for the period covered by this report began at 2.25% before ticking up to 3% on the 3<sup>rd</sup> of November and then to 3.50% on the 15<sup>th</sup> of December.

## 2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	19,850,000	0.73 - 3.65	23,000,000	0.73 - 2.05
	<b>19,850,000</b>		<b>23,000,000</b>	

A full schedule of short term investment transactions is set out in **Appendix A2**. **Appendix A3** shows outstanding short-term investments at 31 December 2022.

## 3 REVENUES COLLECTED

To: 31 December 2021		Collected £	% of Amount Collectable %
2022/23	Council Tax NNDR	61,803,776 34,794,195	84.26 81.62
<b>Total</b>		<b>96,597,971</b>	<b>83.29</b>
2021/22	Council Tax NNDR	59,038,440 29,270,978	84.02 79.75
<b>Total</b>		<b>88,309,418</b>	<b>82.55</b>
2020/21	Council Tax NNDR	55,482,133 17,181,774	83.13 77.31
<b>Total</b>		<b>72,663,907</b>	<b>81.68</b>

Collection levels have recovered to pre covid levels.

## 4 BANK BALANCE

At 31 December 2022 £1,454,658 in hand.

This records the Council's bank balance at the end of the last day covered by the report.



5 PERFORMANCE ON TREASURY MANAGEMENT TRANSACTIONS  
TO DECEMBER 2022

April –December 2022

	Profiled Budget £000	Actual £000	Variance £000
Interest Receivable	(148)	(378)	(230)
Interest Payable	569	87	(482)
Less Rechargeable	0	0	0
	<b>569</b>	<b>87</b>	<b>(482)</b>
Principal Repaid (MRP)	147	68	(79)
Debt Management	12	13	1
<b>NET BALANCE</b>	<b>580</b>	<b>(210)</b>	<b>(790)</b>

The profiled budget is to 31 December 2022.

Interest receivable is ahead of expectations due to higher than forecast average cash balances and increases to base rate since the last report.

Interest payable is lower than expected as no new borrowing has been undertaken in this financial year.

The CCLA property investment saw a decrease in the capital value to the end of December. Dividends and yield levels are currently 4.08%.

## APPENDIX A2

### SHORT TERM INVESTMENT TRANSACTIONS OCTOBER TO DECEMBER 2022

INVESTMENTS MADE			INVESTMENTS REPAID	
	£			£
HSBC	3,850,000.00		HSBC	5,000,000.00
HSBC	5,000,000.00		Standard Chartered	1,000,000.00
Standard Chartered	1,000,000.00		Nationwide	1,000,000.00
Standard Chartered	1,000,000.00		HSBC	5,000,000.00
HSBC	5,000,000.00		Standard Chartered	1,000,000.00
Goldman Sachs	2,000,000.00		Nationwide	1,000,000.00
Standard Chartered	1,000,000.00		HSBC	5,000,000.00
Nationwide	1,000,000.00		Nationwide	1,000,000.00
			Standard Chartered	1,000,000.00
			Federated Investors	2,000,000.00
<b>TOTAL</b>	<b>19,850,000</b>			<b>23,000,000</b>
			Bfwd	29,946,079
			Paid	19,850,000
			Repaid	23,000,000
			<b>Total</b>	<b>26,796,079</b>
			<b>CCLA Change</b>	<b>(603,136)</b>
			<b>Total</b>	<b>26,192,943</b>

### Outstanding Investments as at 31 December 2022

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Current Days to Maturity	Days to maturity at execution	Total Interest Expected (£)
Y	MMF Federated Investors (UK)	1,900,000	3.11%			MMF		
R	Nationwide Building Society	1,000,000	2.03%	18/07/2022	27/01/2023	27	193	10,734
R	Standard Chartered Bank	1,000,000	2.30%	29/07/2022	27/01/2023	27	182	11,468
R	Standard Chartered Bank	1,000,000	3.23%	28/10/2022	27/01/2023	27	91	8,053
O	HSBC UK Bank Plc (RFB)	5,000,000	3.50%			Call31		
R	Standard Chartered Bank	1,000,000	3.49%	25/11/2022	24/02/2023	55	91	8,701
R	Goldman Sachs International Bank	2,000,000	3.09%	02/12/2022	02/03/2023	61	90	15,238
R	Nationwide Building Society	1,000,000	3.44%	22/12/2022	24/03/2023	83	92	8,671
R	Standard Chartered Bank	1,000,000	3.15%	26/08/2022	24/03/2023	83	210	18,123
R	Standard Chartered Bank	1,000,000	3.65%	22/12/2022	24/03/2023	83	92	9,200
R	Santander UK PLC	7,000,000	2.66%			Call180		
<b>Total Investments</b>		<b>£22,900,000</b>	<b>3.03%</b>					<b>£90,189</b>

Borrower	Current Market Value (£)	Current Yield	Start Date	Initial Investment (£)	Entry Cost (£) <sup>1</sup>	Initial Market Value (£)	Unrealised Growth (£)
<b>CCLA Property Fund</b>	<b>3,292,943</b>	<b>4.08%</b>	31/07/2014	3,000,000	(163,104)	2,836,896	<b>292,943</b>

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.

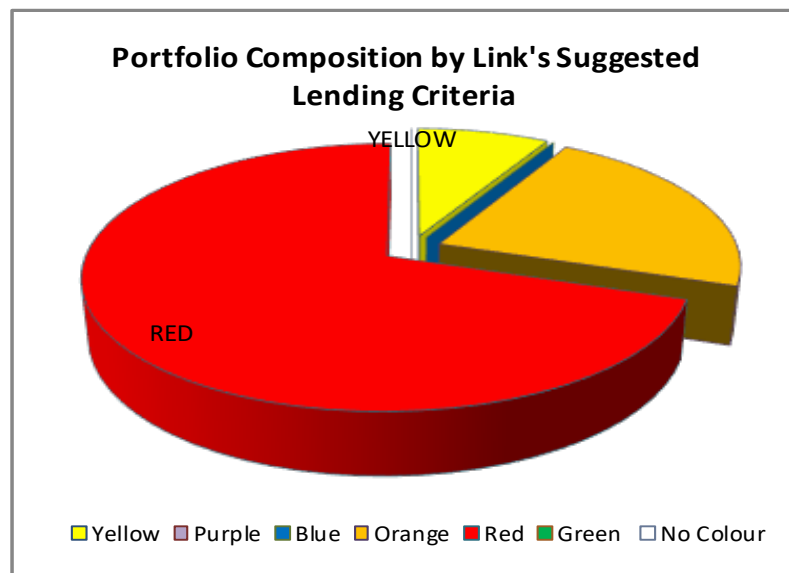
The category colour represents the duration of investment recommended by Link, the Council's Treasury Advisors. Those investments with no colour, are still within the Council's investment Strategy and are therefore deemed suitable for investing.

## Investment Summary Sheet

						Weighted Average Rate of Return	Weighted Average Days to Maturity	Weighted Average Dats to Maturity from Execution WAM at Execution
	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	
Yellow	8.30%	1,900,000	100.00%	1,900,000	8.30%	3.11%	0	0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Blue	0.00%	-	0.00%	-	0.00%	0.00%	0	0
Orange	21.83%	5,000,000	100.00%	5,000,000	21.83%	3.50%	31	31
Red	69.87%	16,000,000	43.75%	7,000,000	30.57%	2.88%	110	149
Green	0.00%	-	0.00%	-	0.00%	0.00%	0	0
No Colour	0.00%	-	0.00%	-	0.00%	0.00%	0	0
	<b>100.0%</b>	<b>22,900,000</b>	<b>60.70%</b>	<b>13,900,000</b>	<b>60.70%</b>	<b>3.03%</b>	<b>84</b>	<b>111</b>

Risk Score for Colour (1 = Low, 7 = High)	Dec 2022	Sep 2022	Jun 2022	Mar 2022
1	0.1	0.1	0.20	0.0
2	0.0	0.0	0.0	0.0
3	0.0	0.0	0.0	0.0
4	0.9	0.9	1.5	1.8
5	3.5	3.1	2.3	2.7
6	0.0	0.0	0.0	0.0
7	0.0	0.0	0.0	0.0
	<b>4.4</b>	<b>4.1</b>	<b>4.0</b>	<b>4.5</b>

	Link's Suggested Criteria
Y	Up to 5 Years
P	Up to 2 Years
B	Up to 1 Year
O	Up to 1 Year
R	Up to 6 months
G	Up to 3 months
N/C	No Colour



Normal' Risk Score	3.5	3.5	3.5	3.5
-----------------------	-----	-----	-----	-----

## APPENDIX B1

### 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. 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 Prudential Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Following the introduction of the Prudential Code in 2003, the permission to borrow was essentially withdrawn and Councils were given greater freedom to borrow so long as they 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 2022/23 to date as detailed in the Treasury Management Strategy Statement for 2022/23.

**(a) Affordability**

	2022/23 Original Estimate £	2022/23 Revised Estimate £
<b>(i) Capital Expenditure</b>	36,074,100	42,392,000
<b>(ii) Financing Costs</b>		
Total Financing Costs	1,049,900	(223,434)
<b>(iii) Net Revenue Stream</b>		
Funding from Govt Grants/Local Taxpayers	14,309,000	14,309,000
<b>(iv) Ratio of Financing Costs to Net Revenue Stream</b>	7.34%	(1.56%)
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.		
<b>(v) Incremental Impact on Council Tax</b>	8.85	8.85
This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.		
<b>(vi) Authorised Borrowing Limit</b>	52,100,000	52,100,000
Maximum Level of Borrowing and Other Long term Liabilities	41,106,000	41,106,000
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.		

	2022/23 Original Estimate £	2022/23 Revised Estimate £
<b>(vii) Operational Borrowing Limit</b> Maximum Level of Borrowing and Other Long term Liabilities The operational borrowing limit is also determined by Council prior to the start of the financial year. Unlike the authorised limit, it may be breached temporarily due to cashflow variations but it should not be exceeded on a regular basis.	47,100,000  41,106,000	47,100,000  41,106,000
<b>(viii) Capital Financing Requirement (CFR)</b> As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.	50,878,000	50,878,000

**(b) Prudence and Sustainability**

	2022/23 Original Estimate £
<b>(i) New Borrowing to Date</b> Long Term Borrowing has been taken in 2022/23 to date	0 0
<b>(ii) Percentage of Fixed Rate Long Term Borrowing</b> at December 2022	100%
<b>(iii) Percentage of Variable Rate Long Term Borrowing</b> at December 2022 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> Level of Specified Investments as at December 2022  As part of the Capital Investment Strategy for 2022/23, the Council set a minimum level of 50% for its specified as opposed to non specified investments. The two categories of investment were defined as part of the Strategy but for the City Council non specified investments will presently refer mainly to either investments of over one year in duration or investments placed with building societies that do not possess an appropriate credit rating. These tend to be the smaller building societies.	50.00% 100.00%

---

## EXCERPT FROM THE MINUTES OF THE EXECUTIVE HELD ON 20 FEBRUARY 2023

---

### EX.21/23      TREASURY MANAGEMENT OCTOBER - DECEMBER 2022

(Non Key Decision)

**Portfolio**      Finance, Governance and Resources

**Relevant Scrutiny Panel**      People Panel

**Subject Matter:**

The Finance, Governance and Resources Portfolio Holder submitted report RD.60/22 providing the regular quarterly report on Treasury Transactions, including the requirements of the Prudential Code. (RD.60/22)

The Finance, Governance and Resources Portfolio Holder moved the recommendations which were seconded by the Leader.

**Summary of options rejected**      none

### **DECISION**

That the report RD.60/22 be received, and the Prudential Indicators noted as at the end of December 2022.

### **Reasons for decision**

To inform the Executive of the Council's Treasury Management issues.



# Carlisle City Council

## Report to Audit Committee

Item  
A.7

### Report details

Meeting Date:	17 March 2023
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	Yes/No
Public / Private	Public
Title:	DRAFT INTERNAL AUDIT ANNUAL REPORT 2022/23
Report of	DESIGNATED HEAD OF INTERNAL AUDIT
Report Number	RD 65/22

### Purpose / Summary:

This report provides a summary of the outcomes of the work undertaken by Internal Audit for Carlisle City Council in 2022/23 and includes the Designated Head of Internal Audit's draft opinion on the effectiveness of the Council's arrangements for risk management, governance and internal control in accordance with the requirements of the Public Sector Internal Audit Standards (PSIAS).

### Recommendations:

Members are requested to note

- (i) The progress achieved in 2022/23 in delivering the Audit Plan and the outcomes of completed audit reviews as set out at **Appendix A**;
- (ii) The Designated Head of Internal Audit's draft opinion of **reasonable assurance** on the Council's overall systems of governance, risk management and internal control for the year ended 31 March 2023;
- (iii) The Designated Head of Internal Audit's declaration of Internal Audit's independence as required by the mandatory PSIAS;
- (iv) The Designated Head of Internal Audit's declaration of conformance with the mandatory PSIAS;
- (v) The performance of the Internal Audit service as shown at **Appendix B**;

**Tracking**

Audit Committee	16 March 2023

## **1. Background**

- 1.1 Local Authorities are required to make proper provision for internal audit in line with the Local Government Act 1972. The Accounts and Audit Regulations 2015 require that the Council undertakes an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account Public Sector Internal Auditing Standards (PSIAS).
- 1.2 Internal Audit is responsible for providing independent assurance to the Council's Senior Management and to the Audit Committee on the systems of governance, risk management and internal control.
- 1.3 It is the responsibility of management to establish and maintain internal control systems and to ensure that resources are properly applied, risks appropriately managed and that outcomes are achieved. Management is responsible for the system of internal control and should set in place policies and procedures to ensure that controls operate effectively.

## **2. Internal Audit Opinion**

- 2.1 Due to the impending demise of Carlisle City Council on 31 March, this opinion is at this stage draft and is based upon work undertaken by internal audit to date.
- 2.2 The purpose of this report is to give my draft opinion as the Designated Head of Internal Audit 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 2023. This annual opinion is a requirement of the PSIAS.
- 2.3 This report is a key contributor to the Council's Annual Governance Statement.
- 2.4 In giving this opinion it should be noted that assurance can never be absolute and it is not possible to give complete assurance. My opinion is based on the work undertaken by Internal Audit during the year, including the outcomes of any follow up work undertaken.
- 2.5 I am satisfied that sufficient internal audit work has been undertaken to allow me to give a conclusion on the adequacy and effectiveness of risk management, governance and internal control. I can also confirm that in making this opinion I do not see any reason, based upon the completed audit work in year, that I need to report any limitation in scope.

2.6 In my opinion, based on the completed audit work, the overall framework of governance, risk and internal control is **reasonable** and audit testing has confirmed that controls are generally working effectively in practice, although as detailed below there are specific control concerns in relation to ICT services and general concerns about Council resources.

2.7 The team have completed 14 of the 19 (73%) proposed reviews within the plan. With 3 further audits expected to be completed by 31<sup>st</sup> March, taking estimated completion to 89%.

2.8 The Committee will be aware that the Audit Services Manager role is shared with both Allerdale and Copeland Council's.

### **3. Significant issues (ICT Services)**

3.1 Concerns around ICT controls due to various vacancies within the department, including the Head of Service and limited progress in implementing historic recommendations was first raised in 2019/20. These concerns remain for 2022/23 due to the low number of outstanding actions that could be closed, however it is acknowledged the team has taken considerable steps to increase resources and assurances have been obtained that the service has worked closely with the relevant LGR workstream to ensure outstanding actions are addressed.

3.2 The impact of Local Government Re-Organisation continued to be a particular pressing resource issue for ICT Services during 2022/23 as the service area is fundamental to ensuring a safe and legal transition.

### **4. Significant issues (Other)**

4.1 Various resource pressures continue to impact on the Council's potential to adequately manage its risk environment. Local Government Re-Organisation has had a significant pull on senior and service manager's time. There is a risk that managers are required to prioritise workloads, resulting in the potential for established controls to be missed or circumvented.

4.2 These additional pressures have also reduced client engagement with Internal Audit, with teams struggling to respond to requests for information, though engagement in 2022/23 has improved overall compared to the previous year.

4.3 One partial audit was issued in the year, relating to delivery of the Sustainable Warmth Grant that highlighted some governance and risk management concerns in

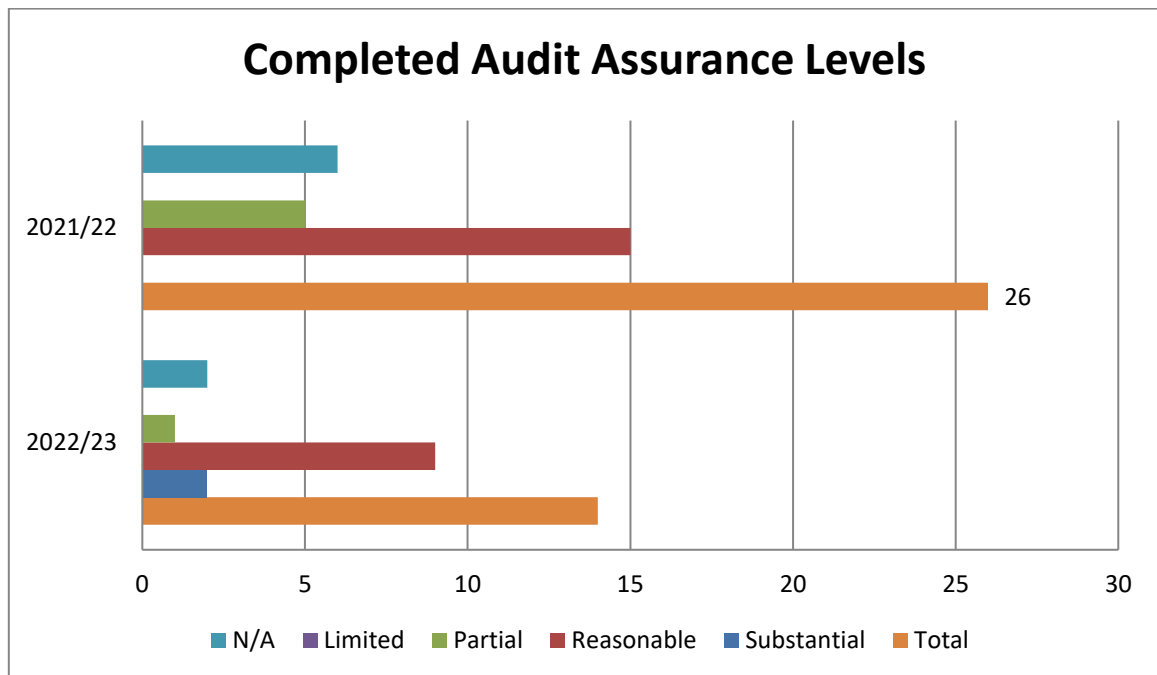
relation to the delivery of a major project. However, assurances have also been obtained that these control concerns have been addressed and that the Council has liaised with the funding provider and has a plan to maximise delivery for the remainder of the project.

## **5. Independence**

- 5.1 I can confirm that Internal Audit has maintained its independence during the year. In my dual role as Head of Financial Services and Designated Head of Internal Audit I can confirm that my independence and that of Internal Audit has not been in any way diminished by this working arrangement (the External Quality Assessment (Apr 2018) and annual self-assessment (June 2022) confirmed that suitable arrangements are in place to maintain audit independence). Where necessary, audit reports in relation to financial services activities have been reviewed by the Audit Services Manager, and all findings reported to the Corporate Director of Finance and Resources where necessary.

## **6. Internal Audit Coverage and outcomes**

- 6.1 The Internal Audit Plan was approved by the Audit Committee at its meeting on 23 March 2022 and included 17 planned reviews. As a result of changes in the risk and assurance environment and changes to available resources the following amendments were made to the plan during the year.
- Proposed review of Property Contracts amended to review of Building Maintenance, as requested by Audit Committee (8 July 2022)
  - Remove proposed review of ICT Services (8 December 2022)
  - Property Income Follow Up
  - ICT Follow Up
- 6.2 Following these changes there were 19 planned reviews in the revised 2022/23 plan. It is my opinion that sufficient audit work has been completed that I may provide an overall audit opinion.
- 6.3 Of the 14 completed audits, the overall assurances are as follows:



6.4 The table at **Appendix A**, provides the detail of the Audit work completed and shows when reports were considered by the Audit Committee.

6.5 The following unplanned work was also undertaken and considered as part of internal audit's opinion:

- Completion of annual self-assessment and review of audit manual and working papers to update working practices including self-assessment of compliance with Public Sector Internal Auditing Standards.
- Audit advice to Revenues and Benefits in relation to implementing controls in relation to the Council Tax rebates following issue of government guidance
- Audit advice to Accountancy Services in relation to adapting processes for a creditor who was unable to provide written confirmation of their details.
- Audit advice to Accountancy Services in relation to training provided to agency staff.
- Audit advice in relation to risk registers presented by Regulatory Services in relation to the Sustainable Warmth Grant.
- Audit advice in relation to fraud checks and risk registers for Regulatory Services in relation to the Sustainable Warmth Grant.
- Conducting disciplinary investigations (not fraud)
- Attendance at LGR workshops relating to Internal Audit service provision.

## **7. Other Assurances**

7.1 The Council also receives assurance from other sources and during 2022/23 the following assurances to the way the Council operates have been provided:

- LEXCEL Accreditation (Legal Services)
- Public Sector Network ICT Health Check
- Internal work performed by Council's Safety, Health & Environmental Manager and Information Governance Manager
- Attendance at monthly management briefings, regular staff briefings and corporate communications
- Regular summary updates of key Council meetings.
- Self-assessment questionnaires completed for main accounting systems not audited in the year.

7.2 The 2021/22 Statement of Accounts were approved in November 2022.

## **8. Statement of Conformance with Public Sector Internal Audit Standards**

8.1 The Internal Audit manual includes a (QAIP) Quality Assurance and Improvement Plan that details how Internal Audit ensure continuous improvement in line with the Public Sector Internal Audit Standards and a methodology designed to ensure all internal audit work is conducted in accordance with the standards.

8.2 All audit work has been conducted in line with the agreed QAIP and Internal Audit work is subject to quality assurance checks by internal audit management, to ensure the approved methodology is followed.

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

8.4 The Internal Audit team was subject to an external quality assessment of their compliance with the Public Sector Internal Audit Standards in April 2018. The assessment found that the department conforms with all the standards. Recommendations made following this review have all since been implemented and the department continue to perform annual self-assessments against the standards and have adopted a continuous improvement register to identify areas for further development, which was progressed on a regular basis and reported to the Audit Committee.

## **9. Conclusion and reasons for recommendations**

- 9.1 Internal Audit work has been carried out in accordance with the mandatory standards for internal audit.
- 9.2 The work of internal audit is considered to be sufficient to provide an overall opinion on the systems of governance, risk management and internal control
- 9.3 Internal audit has maintained its independence in order to provide a fair and objective annual opinion statement
- 9.4 The annual opinion has concluded **reasonable** assurance over the systems of governance, risk management and internal control.
- 10. Contribution to the Carlisle Plan Priorities**
- 10.1 Internal Audit provides independent assurance on the Council's arrangements for governance, risk management and internal control in support of delivery of the Council's strategic priorities

**Contact details:**

Contact Officer: Steven Tickner Ext: 7280

**Appendices attached to report:**

- **Appendices attached to report:**
  - Appendix A – Summary of Internal Audit Work**
  - Appendix B – Internal Audit Performance 2021/22**

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

- **None**
  -

**CORPORATE IMPLICATIONS:**

**Legal** - The legislative background is helpfully set out in section 1 of the report. The PSIAS requires the Designated Head of Internal Audit to provide an annual internal audit opinion based on an objective assessment of the framework of governance, risk management and control.



**Property Services – None**

**Finance – Contained in the report**

**Equality – None**

**Information Governance - None**

### **CARLISLE CITY COUNCIL - AUDIT WORK 2022/23**

<b>Service Area</b>	<b>Review Type</b>	<b>Audit Area</b>	<b>Plan</b>	<b>Actual</b>	<b>Status</b>	<b>Audit Committee</b>	<b>Assurance Evaluation</b>	<b>Comments</b>
Financial Services	MFS	Internal Control Questionnaires - Non Audited Systems	2	2	Final	July 22	N/A	
Council-Wide	MFS	Good Governance Principles / Local Code of Conduct	5	5	Final	July 22	N/A	
Human Resources	Follow-Up	Absence Management	5	5	Final	Sep 22	Reasonable	
Council-Wide	Governance	Corporate Internal Controls	5	9	Final	Dec 22	Substantial	
Council-Wide	Corporate	Risk Management	15	16	Final	Dec 22	Reasonable	
Neighbourhood Services	Directorate	Fleet Management (inc Strategy)	20	20	Final	Dec 22	Reasonable	
Regulatory Services	Directorate	Sustainable Warmth Grant	10	10	Final	Dec 22	Partial	
Financial Services	MFS	Financial Services Governance Arrangements	5	6	Final	Dec 22	Reasonable	
Health & Well-Being	Directorate	Bereavement Services	20	27	Final	Dec 22	Reasonable	
Financial Services	MFS	Treasury Management	15	19	Final	Dec 22	Substantial	
Revenues and Benefits	MFS	National Non Domestic Rates	20	27	Final	Mar 23	Reasonable	
Financial Services	MFS	Car Parking Income	20	22	Final	Mar 23	Reasonable	
Regeneration	Directorate	Town Deal - Business Assurance Framework	20	21	Final	Mar 23	Reasonable	
Neighbourhood Services	Follow-Up	Neighbourhood Services (Culture)	5	6	Final	Mar 23	Reasonable	
Property Services	Directorate	Building Maintenance	20	6	Ongoing			
Property Services	Follow-Up	Property Income	5	0	Ongoing			
Council-Wide	Counter-Fraud	Annual fraud review	5	0	Ongoing			
ICT Services	Directorate	ICT Service Provision	20	0	Removed from plan			

Service Area	Review Type	Audit Area	Plan	Actual	Status	Audit Committee	Assurance Evaluation	Comments
ICT Services	Follow-Up	ICT Recommendations	10	0	Removed from plan			
		Follow-up contingency	30	7				
		Counter Fraud Contingency	20	0				
		Advice & Guidance Contingency	10	6				
		Contingency	40	46				
		LGR Contingency	25	6				
		Audit Committee	20	0				
		Planning & Management	48	50				
		<b>OVERALL TOTAL</b>	<b>404</b>	<b>316</b>				

**CARLISLE CITY COUNCIL**  
**INTERNAL AUDIT PERFORMANCE 2022/23**

<b>Indicator</b>	<b>Target 21/22</b>	<b>Actual 21/22</b>	<b>Target 22/23</b>	<b>Actual 22/23</b>	<b>Commentary</b>
Planned Audits Completed	90%	81%	90%	73%	89% anticipated 31 March
Draft Reports issued by agreed deadline	80%	52%	80%	53%	
Timely issue of Final Reports	90%	100%	90%	100%	
Recommendations agreed	95%	100%	95%	100%	
Assignment completion within allocated resource	60%	65%	60%	54%	
Efficiency (Chargeable time)	80%	80%	80%	79%	
Recommendations implemented	80%	N/K	80%	42%	LGR

# Carlisle City Council

## Report to Audit Committee

Item  
A.8

### Report details

Meeting Date:	17 March 2023
Portfolio:	Finance, Governance and Resources
Key Decision:	Not applicable
Policy and Budget Framework	Yes
Public / Private	Public
Title:	DRAFT AGS AND NARRATIVE STATEMENT
Report of:	CORPORATE DIRECTOR OF FINANCE AND RESOURCES
Report Number:	RD.75/22

### Purpose / Summary:

This report provides the Committee with the draft Annual Governance Statement and Draft Narrative Statement that will be included in the City Council's Statement of Accounts for 2022/23.

### Recommendations:

It is recommended that the Audit Committee note the two draft statements prepared in advance of the City Council's demise and recommend to Cumberland Council.

### Tracking

Audit Committee	16 March 2023
Council:	

## **1. Background**

- 1.1. As the City Council will cease to exist on 31<sup>st</sup> March and its duties taken on by Cumberland Council, the Statement of Accounts and Annual Governance Statement (AGS) will be approved by Cumberland. Therefore, as the Committee that is delegated responsibility to approve the Statement of Accounts and AGS for the Council, it is deemed appropriate that at this last meeting of the Committee you see the proposed draft documents and ensure that they reflect the activity of the City Council in 2022/23.

## **2. Narrative Statement**

- 2.1. During the preparation of the accounts in April and May, the Narrative Statement will be updated with relevant figures and financial and non-financial performance once the outturn, performance indicator outturn and Statement of Accounts are prepared. Therefore, at the moment, the draft Narrative Statement shows a significant amount of information that requires to be updated once the relevant information is available. The draft Narrative Statement is attached at **Appendix A**.

## **3. Annual Governance Statement**

- 3.1 Similarly, the Annual Governance Statement is provided for the Committee to consider prior to the transition to Cumberland.
- 3.2 The Draft Annual Governance Statement for 2022/23 is attached at **Appendix B** which has been prepared in accordance with the CIPFA/SOLACE framework.
- 3.2 Work has been undertaken by Council Officers to update the Good Governance Principles, demonstrating the Council's conformance with the CIPFA/SOLACE framework and the principles contained within the Council's own Code of Corporate Governance. This review is reflected in the Annual Governance Statement.
- 3.3 Various sources are in place to provide assurances over the Council's governance framework, including:
  - Annual internal audit opinion
  - Self-assessment questionnaires completed for main financial systems and directorate assurances
  - Attendance at Operational Risk Management group
  - Attendance at Management Briefing
  - Receipt of corporate communications
  - Summary updates for key Council meetings (Inc. Full Council, Executive, JMT and SMT)

- Audit Committee Effectiveness Review (Internal)
- Internal work performed by Council's Safety, Health & Environmental Manager and Information Governance Manager
- External Audit Review of Statement of Accounts – Unqualified Opinion
- External Audit Review of Value for Money – Unqualified Opinion
- External Reviews:
  - LEXCEL Accreditation (Legal Services)
  - Public Sector Network ICT Health Check
  - Benefit Advice Service (External Assessment)

3.4 There are no areas of significant weakness identified in this year's Annual Governance Statement.

3.5 The Internal Audit opinion of **reasonable** assurance on the Council's overall systems of governance, risk management and internal control for the year ended 31<sup>st</sup> March 2023 has previously been reported to Members as part of the Internal Audit Annual Report.

#### **4. Conclusion and reasons for recommendations**

4.1 The Committee is requested to note the two draft statements prepared in advance of the City Council's demise and recommend to Cumberland Council.

#### **5. Contribution to the Carlisle Plan Priorities**

5.1 The Audit Committee ensures that an effective governance framework is in place to underpin the delivery of Carlisle City's Priorities.

#### **Contact details:**

Contact Officer: Steven Tickner Ext: 7280

#### **Appendices attached to report:**

<b>Appendix A</b>	<b>Draft Narrative Statement</b>
<b>Appendix B</b>	<b>Draft Annual Governance Statement</b>

Note: in compliance with section 100d of the Local Government Act 1972 the report has been prepared in part from the following papers:

- None

**Corporate Implications:**

**Legal** - The Audit Committee's terms of reference require it to oversee and approve (later in the year) the authority's Annual Governance Statement.

**Finance** – included in the main body of the report

**Equality** – included in body of the AGS, 'Equality Objectives'

**Information Governance** – There are no Information Governance implications for this report

**Property Services** - There are no property related implications for this report



## SECTION 1 – DRAFT NARRATIVE REPORT

### 1.1 Introduction

The City Council must prepare and publish its Statement of Accounts annually. Their purpose is to give electors, local taxpayers, Council Members, employees, and other interested parties clear information about the Council's finances. The accounts presented are of a Single Entity as the Council has no relationships that require it to prepare Group Accounts.

The aim is to provide information on:

- the cost of providing Council services in 2022/23;
- how these services were paid for;
- what assets the Council owned at the end of the financial year; and
- what was owed, to and by, the Council at the end of the financial year.

This narrative report gives a guide to the most important matters included in the Statement of Accounts. The Statement of Accounts for the year ended 31 March 2023 have been produced by the Chief Finance Officer (S.151 Officer) and consists of the following: -

**(i) The Statement of Responsibilities for the Statement of Accounts**

This sets out the respective responsibilities of the Council and the Chief Finance Officer (S.151 Officer) for preparing the Statement of Accounts.

**(ii) The Movement in Reserves Statement**

This Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other 'unusable reserves'. The Statement shows how the movement in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return the amounts chargeable to council tax for the year. The Net Increase/Decrease line shows the statutory General Fund Balance movements in the year following those adjustments.

**(iii) The Comprehensive Income and Expenditure Statement**

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis (Note 4.12) and the Movement in Reserves Statement. The Comprehensive Income and Expenditure Statement (CIES) is prepared in accordance with the requirements of the Code of Practice 2022/23 and is reported in the management reporting segments used by the Council. These segments are used throughout the accounts and include the following services:

Community Services	Economic Development	Corporate Support	Finance and Resources	Governance & Regulatory Services	Corporate Management
Arts & Leisure Contracts	Building Control	Customer Services	Accountancy	City Engineers	Direct Revenue Financing
Bereavement Services	Business Support	Digital and Information Services	Audit	Democratic Services	Non-Distributed Costs (Pensions)
Car Parking	Conservation & Heritage	Risk Management	Creditors	Electoral Services	Corporate Management
City Centre Management	Development Control	PA Support Team	Debtors	Environmental Health	Other Financial Costs
Carlisle Partnership	Economic & Border Partnerships		Finance	Enterprise Centre	Asset Management Costs (Depreciation)
Community Centres	Economic Development		Revenues & Benefits	Health & Safety	
Community Safety	Enterprise Zone		Insurance	Homelessness & Homelessness Accommodation	
Corporate Communications	Planning Enforcement		Section 151	Investment & Operational Property	
Emergency Planning	Regeneration & Projects		Procurement	Land Charges	
Events	Rural Policy & Support			Legal Services	
Green Spaces	Section 106 / Community Infrastructure Levy			Licensing	
Marketing	Strategic & Housing Planning Policy			Mayoral Support	
Old Fire Station				Member Services	
Overview & Scrutiny				Monitoring Officer	
Policy & Performance				Private Sector Housing	
Refuse and Recycling				Strategic Property	
Sports Development				Welfare Advice Service	
Street Cleaning					
3rd Sector Grants					
Tourism					
Health & Wellbeing					
HR, Payroll & Personnel					

Organisational Development					
----------------------------	--	--	--	--	--

**(iv) The Balance Sheet**

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example capital reserves that may only be used to fund capital expenditure or repay debt). The second category of reserves are those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line “adjustments between accounting basis and funding basis under regulations”.

**(v) The Cash Flow Statement**

The Cash Flow statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as, operating, investing, and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council’s future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Council.

**(vi) Notes to the Accounts**

These explain in more detail some of the more significant entries in the core financial statements and include details of the significant Accounting Policies used in the preparation of the accounts.

**(vii) The Collection Fund**

This shows the total income received by the Council from council tax and business rates and how this has been distributed to all precepting organisations it is collected for, including the Council.

**(viii) The Annual Governance Statement**

This explains the framework within which internal control has been managed and reviewed by the Council during the year of account.

## **1.2 2022/23 Budget and Medium-Term Financial Plan**

The 2022/23 revenue budget was set within the context of the Council’s Medium-Term Financial Plan (MTFP). The MTFP provides the financial framework within which the Council will seek to achieve its priorities and highlights any significant factors that will affect the future financial position of the Council.

The MTFP considers five key Financial Principles:

- Revenue Budget Strategy
- Commercial and Income Generation
- Council Tax and Business Rates Policy
- Capital Investment
- Treasury Management

Revenue expenditure generally relates to resources which are used within a year and which are paid for from council tax, business rates, government grants, fees and charges for services and other income received by the Council.

The table below shows a comparison of the Council's revised budget with its performance for 2022/23. More detailed information is shown in the Comprehensive Income and Expenditure Statement on page 23.

Page 124 of 150

	Budget £000	Provisional Outturn £000	Variance £000
Community Services			0
Corporate Support			0
Economic Development			0
Finance and Resources			0
Governance and Regulatory Services			0
Corporate Management			0
Exceptional Items			0
<b>Service Expenditure</b>	<b>0</b>	<b>0</b>	<b>0</b>
Parish Precepts			0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b><u>Transfers to/(from) Reserves</u></b>			
			0
			0
			0
			0
			0
			0
			0
			0
			0
			0
			0
			0
<b>Total Transfer to/(from) Reserves</b>	<b>0</b>	<b>0</b>	<b>0</b>
Financed by:			
Precept from Collection Fund			0
Business Rate Retention			0
Business Rate Deficit on Collection Fund			0
<b>Total Grants</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>

The Council has total usable reserves of £xxxxxmillion at 31 March 2023 (£16.786million at 31 March 2022), of which the total earmarked reserves held are £xxxxxmillion (£9.986million at 31 March 2022). Further details of these reserves can be found at note 4.5.

For 2022/23 the Council was under-spent by £xxxxxmillion against the revised budget. This resulted in a lower use of general fund reserves in 2022/23 than expected. However, of the under spend, £xxxxxmillion has been identified for carrying forward into future years and £xxxxxmillion has been placed into earmarked reserves and provisions to meet known commitments. A further £xxxxxmillion from

the additional funding received in year of £xxxxx million has also been placed into earmarked reserves to meet known commitments on the Collection Fund.

The Council also has other unusable reserves totalling £xxxxxxxmillion at 31 March 2023 (£132.988million at 31 March 2022). Certain reserves are used to manage the accounting processes for assets and retirement benefits and do not represent usable resources for the Council.

All reserves will transfer to Cumberland Council on 1 April 2023 and will be for that Council to deem appropriate levels.

The table below sets out how the Council's earmarked and general fund revenue reserves levels compares at 31 March 2023 to those that were forecast when it set its revenue budget in February 2022.

	Forecast 31/03/2023 £000	Outturn 31/03/2023 £000
<b>General Reserves</b>		
General Fund (including Projects Reserve)		
Carry Forward Reserve		
	0	0
<b>Earmarked Reserves</b>		
	0	0
<b>Total Usable Reserves</b>	0	0

The amount held in the Business Rates s.31 Grant Reserve is in relation to Section 31 grant received as compensation for loss of business rates due to expanded retail, leisure and hospitality relief granted to businesses as part of the COVID-19 response by Government. The amount held in the reserve will be used to offset the estimated deficit on the Collection Fund that will be recovered in 2023/24 and as such is unavailable for any other purpose.

For a more detailed analysis of the breakdown of income and expenditure and an explanation of variances from the budget a revenue outturn report for 2022/23 has been prepared which provides additional information on the year end position. This is available upon request from the Chief Finance Officer (S.151 Officer).

### 1.3 Capital Expenditure and Financing

Capital expenditure relates to spending on the acquisition, creation and enhancement of fixed assets that generally have a life more than one year. This spending is usually paid for from borrowing, the sale of assets, specific government and other grants, capital balances and contributions from revenue balances. Spending on assistance to the private sector for renovation grants, disabled facilities grants and other housing improvement schemes is also classed as capital expenditure and is known as Revenue Expenditure funded from capital under statute, because the spending does not generate an asset to the Council.

#### (i) Capital Expenditure

The Council's revised capital programme for 2022/23 was approved at £xxxxxmillion. Overall capital spending for 2022/23, totalled £xxxxxmillion, resulting in an underspend of £xxxxxmillion. Where projects have not completed in the year, £xxxxxmillion has been reprofiled to future years and will be the responsibility of Cumberland Council. The overall programme can be summarised as follows:

	£000	£000
<b>Revenue Expenditure funded from Capital Under Statute</b>		
<b>Capital Investment on Assets</b>		0
		0
		0

The programme has been financed as follows:

	£000
Capital Receipts	
Specified Capital Grant	
Other Capital Grants and Contributions	
Direct Revenue Financing	
Unfinanced Capital Expenditure	
	0

#### (i) Borrowing

The Council has powers to borrow money for capital purposes under Section 1 of the Local Government Act 2003. The Council held a balance of £xxxxxmillion of borrowing with PWLB at 31 March 2023. No further borrowing was undertaken in the year. Further borrowing is scheduled in the Medium-Term Financial Plan, however, this is constantly reviewed to ensure borrowing is undertaken at the most appropriate time and when it is required and this will become the responsibility of Cumberland

Council on 1 April 2023 to determine the appropriate action to take in respect of borrowing.

## (ii) Capital Receipts

The Council utilises capital receipts generated from the sale of its assets to pay for its capital spending wherever possible. This includes assets disposed of in line with the Council's Asset Disposal Business Plan.

## 1.4 Balance Sheet Analysis

The Balance Sheet is an important statement for the Council as it provides details of the overall health of the Council's finances. The Council's holding of Property, Plant and Equipment and Investment Properties has **increased** in value in the year from £211.523million to **£xxxxx**million.

### (i) Reserves & Balances

The following table shows a reconciliation between the amount of cash-backed reserves held by the Council at 31 March and the amount of cash and investments it held at 31 March.

2021/22 £000		2022/23 £000
(6,800)	General Fund Balance	
(105)	Capital Reserves	
(9,881)	Earmarked Reserves	
3,513	Collection Fund Adj Account	
(1,298)	Provisions	
(90)	Capital Grant Unapplied	
<b>(14,661)</b>	<b>Amount available for Investment</b>	<b>0</b>
	Investments	
3,867	Long Term	
12,000	Short Term	
17,277	Cash & Cash Equivalents	
<b>33,144</b>	<b>Total Investments</b>	<b>0</b>
<b>18,483</b>	<b>Surplus Monies / (Internal Borrowing)</b>	<b>0</b>
(39,796)	Working Capital	
<b>(21,313)</b>	<b>Surplus Monies / (Internal Borrowing)</b>	<b>0</b>

This table shows that at 31 March the Council's cash balances held in investments was made up of its cash-backed reserves and balances (**£xxxxxmillion**) and cash held in working capital. The net position shows that **£xxxxxmillion** can be represented by a position of under borrowing. The actual borrowing the Council held at 31 March was **£xxxxxmillion**, the actual borrowing requirement the Council had at 31 March was **£xxxxxmillion** (Note 4.40). In effect the Council is utilising its own cash balances to support its borrowing requirement and arises due to no further external borrowing being undertaken since 2019, with an inflow of grant funding that is supporting the Council's cash balance position.



## 1.5 Cash Flows

During 2022/23 the net change in cash and cash equivalents was £xxxxxmillion.

## 1.6 Pension Liability

The full implementation of International Accounting Standard (IAS) 19 Employee Benefits has led to a Pensions Liability being recognised in the balance sheet. This liability stands at £xxxxxmillion at 31 March 2023.

The liability shows the underlying long-term commitments that the Council must pay in respect of retirement benefits. The total liability of £xxxxxmillion has a significant effect on the net worth of the Council as shown in the balance sheet, but statutory arrangements to deal with the funding deficit mean that the financial position of the Council remains robust. The deficit on the local government pension scheme will be dealt with by increasing contributions over the remaining working life of employees, following an assessment by the scheme's actuary.

An up-front payment, based on estimates for 2022/23, was paid in relation to current service costs, with a reconciling amount included in the accounts for the actual contributions paid in the year.

## 1.7 Significant Issues

### (i) Local Government Reorganisation

Local Government Reorganisation is now the key opportunity for the Council in delivering a new Unitary Authority across the existing geographical areas of Carlisle, Copeland and Allerdale, and incorporating the functions and services of the County Council. Detailed work is underway to progress a 'safe and legal' position for vesting day; 1 April 2023.

In the summer of 2021, the decision was made to transition from a two-tier local authority structure to a two-Unitary authority structure for Cumbria. The geographical area covering Carlisle, Copeland and Allerdale will merge into the new Cumberland Council on 1 April 2023 and will subsume functions from the County Council as well. Local Elections were held in May 2022 to elect the Members for the new authority and a new Shadow Authority is now directing the process up to vesting day on 1 April 2023.

The Council has contributed £1,576,667 to an implementation reserve alongside the other Cumbrian Local Authorities. The total costs incurred are shown within exceptional items within the CIES.

### (ii) Revaluation of Assets

A revaluation of all Property assets has been undertaken as at 31 March 2023. Included in the Comprehensive Income and Expenditure Statement within Services are net upward revaluations totalling £xxxxxmillion in relation to Property, Plant and Equipment.

Investment properties have also been revalued in line with the Code and this has seen a net increase in value of £xxxxxmillion.

### (iii) Economic Climate

The Council experienced the effects of increasing interest rates in 2022/23, however the effects of increasing inflation also increased the financial challenges and will continue to do so moving into 2023/24 for the new unitary authority.

Expenditure on employee costs increased from 2021/21 levels from £xxxxxmillion to £xxxxxmillion. Other expenditure decreased from 2021/22 levels of £xxxxxmillion to £xxxxxmillion due to lower levels of Housing Benefit grant payments paid out but increased levels of grant payments in relation to Covid-19.

**(iv) Sustainable Warmth Funding**

The Council was successful in attracting funding towards a Countywide Sustainable Warmth Project. The funding, provided by BEIS (Department of Business, Energy and Industrial Strategy), is for a Countywide project to deliver improvements in energy efficiency and sustainability in certain households. The Council is acting as accountable body and all funding and expenditure will come through the Council, in a principal arrangement. The funding of £19.955m was received by the Council in December 2021. {Needs to be updated with current position}

**(v) Key Risks**

The Council maintains a Corporate Risk Register which is reported to members on a quarterly basis. The key risks currently on the register are as follows:

- There is a risk that the Government fails to communicate changes to future local government funding from 2022 in a timely manner, meaning that the City Council cannot effectively prepare for these changes.
- There is a risk that the financial impact of the Covid-19 pandemic on the Council's budget is not fully understood which may require future changes to the Council's Savings Strategy.
- There is a risk that we fail to fully recognise and manage our operational and investment assets leading to high long-term dilapidation costs and reducing control on future capital decisions
- There is a risk that we fail to effectively prioritise and resource key city regeneration sites and miss the opportunity to take this forward in a progressive manner that meets the Council's aspirations.
- There is a risk that the City Council will not fulfil its obligations as set out in the Carlisle Southern Link Road (CSLR) Grant Determination Agreement with Homes England and that subsequently the funding will be withdrawn, this meaning that the City Council will consequently have to pay the County Council £5m as agreed in the Collaboration Agreement with the County Council.
- There is a risk that we fail to deliver the required new leisure facilities at the Sands Centre, on time and within budget and therefore do not meet the saving targets identified in the Medium-Term Financial Plan.
- There is a risk that critical Information and Technology (I&T) applications or infrastructure become unavailable which impacts on the delivery of council services.
- There is a risk that our digitally held data becomes unavailable, unreliable or is stolen due to error, negligence, or malice
- There is a risk that as the LGR Programme enters the design phase (March-April) and prepares for Day 0 (Shadow Authority, Mid-May 2022) and Day 1 (Vesting Day, 1/4/2023) that the demands of fulfilling the programme will begin to compete with the commitments made to delivering the Carlisle Plan and associated corporate services. This may draw resources away from the Carlisle Plan delivery and associated corporate services which could lead to delays and increased costs, due to the need to recruit additional resources.

These risks are regularly monitored, updated and reported to ensure they are mitigated and managed as far as possible.

## (vi) **Key Opportunities**

The Council continues to be an integral part of the Borderlands partnership with four other local authorities across the Borders region. The UK and Scottish Governments announced an initial funding deal worth £345million. Progress continues to be made on the delivery of the projects allocated to the Carlisle area.

The Council has been allocated a share (£9.1m) of the Future High Streets fund as well as an allocation of £19.7m of Town Deal Funding and £0.518m for Shared Prosperity Funding in 2022/23 with a further indicative allocation of ££3.6m for future years. These schemes are progressing with detailed business cases being created and submitted to government for final sign off before delivery can proceed.

The new leisure facilities became operational in the autumn of 2022 delivering a state-of-the-art leisure complex for the City that combines NHS physiotherapy on site with enhanced health and wellbeing facilities that will provide service improvement opportunities into the future..

## **1.8 Council Priorities**

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 communicates the outcomes and performance of the Plan to residents and the end of year performance presenting the key outcomes to the Executive and Scrutiny Panels. The Carlisle Plan was updated in 2021/22 to better reflect the Executive's current priorities and the plan for 2021-2023 was adopted by full Council in September 2021. The new plan covering 2021-2023 is available on the Council's website. The new plan will continue with a focus on Supporting the Economy and Health & Wellbeing.

The Carlisle Plan outlines the key priorities for the Council. These key priorities are:

- **Economic Growth**
  - We will continue to prioritise the current response to and rapid recovery from the economic impacts of the Covid-19 pandemic on the local economy.
  - Key Economic Growth Programmes and Projects:
    - Delivering the Borderlands Inclusive Growth Deal
    - Delivering St Cuthbert's Garden Village
    - Delivering the Future High St Fund, Towns Fund, Town Deal Accelerated Fund and related regeneration Projects
    - Building on success through new economic opportunities
- **Health and Wellbeing**
  - We will continue to prioritise the current response to and rapid recovery from the health and wellbeing impacts of Covid-19 pandemic
  - Key Health and Wellbeing Programmes and Projects:
    - Delivering the Phase VII World Health Organisation Healthy City Plan
    - Delivering the Sands Centre Redevelopment project
    - Support the delivery of partnership plans
    - Delivering the Homelessness Prevention and Rough Sleepers Strategy
    - Delivering the private sector housing standards to include a range of grants, advice, support and regulation

- Delivering the Local Environment (Climate Change) Strategy
- Delivering the Green Spaces Strategy and supporting the delivery of the Local Cycling and Walking Infrastructure Plan (CWIP)
- Developing the new Cumbria Waste Strategy
- Supporting the delivery of the Carlisle Cultural Network

The Council monitors its non-financial performance through ten 'Service Standards'. These provide a standard in service that our customers can expect from the City Council and a standard by which the Council can be held to account. The measures of the standard of services are based on timeliness, accuracy, and quality of the service the Council provides in areas that have a high impact on our customers.

The Council operates with the following core principles that underpin the Carlisle Plan:

- We will be a clear, committed, and confident Council.
- The principles have been developed by our staff and councillors to guide how we will deliver our vision for Carlisle.
- By setting out our vision, we show that we understand the needs of Carlisle's residents, businesses, and visitors. Our plans to respond to these needs are clear and straightforward. We know what is expected of us and do our best to create clarity in how we work.
- We are committed to achieving our vision for Carlisle. We will ensure that our day to day work and resources are consistent with the priorities.
- We will continue to work effectively with partners to drive positive change for Carlisle and will celebrate our successes and achievements. As part of our ongoing work to develop all our communities we will engage young people and make sure the Carlisle Plan helps to deliver their aspirations for Carlisle.

Further information on the Council's priorities and achievement of key objectives is given in the Annual Governance Statement.

### **Operational Model**

The Council receives most of its funding from taxation - Council Tax (£xxxxxmillion) levied on residents and Business Rates (£xxxxxmillion) levied on businesses. It also receives funding from Central Government in the form of Specific Grants such as New Homes Bonus, Housing Benefit Administration Grant, and Covid-19 support.

As well as core funding sources, the Council also relies heavily on income from fees and charges and rental income from its significant asset portfolio. These provide a valuable source of funding that can be used to supplement the service delivery for the residents of Carlisle.

The Council delivers a range of services as outlined above with the majority being provided by internal staffing resources. The key services the Council delivers are waste collection, street cleaning, bereavement services, green spaces, homelessness and private sector housing support, regulatory services such as environmental health, planning and building control. Leisure and Cultural provision are provided with support from external organisations primarily Greenwich Leisure Ltd, and Tullie House Trust.

Employees are an asset of the Council and as such the Council ensures its employees are well trained and empowered to achieve their best for Carlisle.

In the light of reducing support from central government the Council has over the past few years become increasingly efficient in the way it deploys the resources it

must ensure that it can maintain an acceptable level of service delivery. It has a good history of achieving the transformational savings it requires and as such has been able to set a balanced budget.

In 2022/23 the Council was able to utilise all resources (financial and non-financial) to deliver the services it provides. The non-financial performance of service delivery is outlined below and demonstrates that whilst challenging, non-financial performance was, overall, at target performance or above. This together with the delivery of these services within the approved budget mean that the Council was able to deliver the outcomes and value planned when the budget was set in line with the Carlisle Plan priorities.

## **1.9 Non-Financial Performance**

The year-end position of the Council's Service Standards is shown below:

### **Percentage of Household Planning Applications processed within eight weeks**

To be inserted

### **Proportion of waste or recycling collections missed**

To be inserted

### **Percentage of household waste sent for recycling (including bring sites)**

To be inserted

### **Average number of days to process new benefits claims**

To be inserted

### **Proportion of Corporate Complaints dealt with on time**

To be inserted

### **Proportion of food businesses that are broadly compliant or better with food safety legislation**

To be inserted

### **Proportion of non-contentious licence applications completed on time**

To be inserted

### **Proportion of official local authority searches completed on time**

To be inserted

### **Proportion of new waste and recycling bins, bags and containers delivered on time (within 10 working days)**

To be inserted

**Average number of working days to process benefit claimants' changes of personal Details**

To be inserted

## **1.10 Value for Money**

The Council recognises its responsibility to achieve Value for Money (VFM) in service delivery. It seeks to incorporate VFM principles in delivering services by taking account of costs, quality of services and the local context.

## **1.11 Workforce**

As at 31 March 2023 the Council employed xxx employees. This was split xxx females and xxx males. There were xxx full time employees with xxx part-time/job-share.

As at 31 March 2022 the Council employed 465 employees. This was split 251 females and 214 males. There were 307 full time employees with 158 part-time/job-share.

The Council is required to pay the Apprenticeship Levy and in 2022/23 paid over £xxxxx into its Digital Apprenticeship Service Account. The Council accessed £xxxxx of funding for apprenticeship training in 2022/23, with the balance carried forward being £xxxxx which can be accessed in 2023/24 by Cumberland Council.

## **1.12 Expenditure & Funding Analysis**

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents, council tax and business rates) by the Council in comparison with those resources consumed or earned by the Council in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council's directorates/services/departments. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement. The detail of the Expenditure and Funding Analysis can be found at Note 4.12.

## **1.13 Major Influences on the Authority**

During 2022/23 the Council has continued to recognise that it will be required to make savings through its programme of transformational change considering reducing funding levels. Where possible these savings are being found on a non-recurring basis pending future notification of how the Fair Funding Review, Comprehensive Spending Review and Business Rates Retention system will affect the Council financially in the longer term.

## **1.14 Going Concern**

These accounts have been prepared on the basis that the Council continues to operate as a going concern for the foreseeable future. Due to the economic and statutory environment in which local authorities operate it has been confirmed that as authorities cannot be created or dissolved without statutory prescription, it would not therefore be appropriate for their financial statements to be provided on anything other than a going concern basis.

Although that is the technical definition, to allow a going concern basis to be provided the Council can also clearly demonstrate that it can continue to meet its financial commitments as they occur via the delivery of its Medium-Term Financial Plan (MTFP). The usable cash reserves position (£xxxxxmillion) remains healthy and on the Balance Sheet the Current Assets position of £xxxxxmillion is lower than Current

Liabilities position of £xxxxxmillion (excluding repayable borrowing) so liquidity in the short term is negative. This is primarily due to the Council being under-borrowed at 31 March as outlined in 1.4.

In preparing these Statement of Accounts, materiality has been guided by the External Auditors materiality level (£xxxxxxmillion), but also has consideration to any item that it is thought would be of interest and significance to the reader of the accounts in the context of the activities of the Council (for example, employee remuneration).

Cumberland Council will begin on 1 April in a position as a going concern entity.

### **1.15 Events after the Balance Sheet Date**

Events taking place after the 31 March 2023 are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

### **1.16 Accounting Policy Information**

The accounts of the Council comply with the relevant accounting practices laid down by the Accounting Standards authorities and the 2022/23 Code of Practice on Local Authority Accounting.

### **1.17 Further Information**

As part of the Council's policy of providing full information about the Council's affairs, further information regarding the accounts is available on request from the Chief Finance Officer (S.151 Officer), Civic Centre, Rickergate, Carlisle. In addition, members of the public have a statutory right to inspect the accounts before the audit and to have a copy of the Statement of Accounts after the audit has been completed.

Signed:

Date:



## SECTION 6 – DRAFT ANNUAL GOVERNANCE STATEMENT

### Scope of Responsibility

Carlisle City Council ('the Council') is responsible for ensuring that its business is conducted both in accordance with the law and proper, appropriate standards. In addition, the Council must seek to ensure that public money is safeguarded, properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.

The Council has approved and adopted a local Code of Corporate Governance ('the Code'), which is consistent with the principles of the CIPFA/Solace Framework 'Delivering Good Governance in Local Government'. A copy of the Code can be obtained from the Council's Chief Finance Officer (S151 Officer). The Council has also recognised the requirements of the 2010 CIPFA application note 'Statement on the Role of the Chief Financial Officer in Local Government (2015)' and the CIPFA Statement on the 'Role of the Head of Internal Audit (2010)'.

This statement explains how the Council has complied with the Code and application note and meets the requirements of regulation 6(1) and (2) of the Accounts and Audit Regulations 2015 in relation to the publication of a statement on internal control – the Annual Governance Statement.

### Global Pandemic (Impact)

From March 2020 the Council was significantly affected by the Covid-19 Global Pandemic and has had to change some processes and adapt to new ways of working; however, the principles of the Council's governance framework are unchanged. The Council continued to work under these new measures, including maintaining a flexible approach to hybrid working as restrictions around the pandemic eased.

The Council continued to be involved in the local response to the pandemic including monitoring compliance with restrictions, administering business support grants and forming part of the Cumbria Resilience Forum, which shared information and coordinated local action outbreaks within the area

### Local Government Re-Organisation

On 21 July 2021 the UK government announced that it intended to proceed with a two-unitary local government re-organisation (LGR) model within Cumbria. This means that from 31 March 2023 Carlisle will merge with Allerdale Borough Council, Copeland Borough Council and approximately half of a disaggregated Cumbria County Council to form a new unitary authority to be known as Cumberland Council. During 2022/23 Carlisle City Council continued to work in collaboration with the other Councils to ensure a smooth transition to the new authority.



The Council's existing governance, risk management and internal control framework will remain unchanged by LGR, though clearly some plans, strategies and longer-term projects and aspirations have been curtailed or suspended where considered more economic or efficient to do so as a result of the government decision.

A comprehensive communication and briefing programme has been in place throughout 2022/23 to keep staff updated on progress against the LGR project. This includes regular corporate communications, staff briefings and a dedicated intranet page.

## **The Purpose of the Governance Framework**

The governance framework comprises the systems, processes, culture and values by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate and cost-effective services.

The system of internal control is a significant part of the Council's framework and is designed to enable it to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore provide only reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the Council's policies, aims and objectives; and
- to evaluate the likelihood of those risks being realised and, if so realised, their impact; and,
- to manage the identified risks efficiently, effectively and economically.

The governance framework has been in place at the Council for the year ended 31 March 2023 and up to the date of approval of the Statement of Accounts for 2022/23.

## **The Governance Framework**

The following are the key elements of the systems and processes that comprise the Council's governance arrangements:

### **The Council's vision of its purpose and intended outcomes**

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 guiding 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 report presents the key outcomes to the Executive and Overview & Scrutiny Panels. The Carlisle Plan 2021-23 was adopted by Council on 14<sup>th</sup> September 2021, with a truncated timeline (ending 31 March 2023) to reflect Local Government Reorganisation.

Like many other local authorities, the Council declared a climate Emergency in 2019 and have now prepared and approved an Environmental Strategy, complemented by a detailed action plan, devised primarily to ensure the Council (including the new authority replacing Carlisle City) is carbon neutral by 2037.

## **The Council's vision – implications for governance arrangements**

The Carlisle Plan not only contains the Council's vision but also the key objectives to be delivered in support of it. The plan is accompanied by a 'Plan on a Page', this sets out the key actions for fulfilling the plan.

Arrangements for Overview and Scrutiny are reviewed every year as part of the annual report - thus ensuring consistency with council priorities. Portfolios on the Executive are reviewed every year by the Leader of the Council.

## **Measuring the quality of service for users**

The Council's Performance Management framework, including Service Standards ensures that elected Members and officers monitor performance in key service areas on a regular basis. User satisfaction is measured through a variety of channels such as the Customer Contact Centre, online surveys and social media. The Council has set equality objectives to further improve services for all users; these objectives are reported upon annually alongside an action plan for improvement. Impact of key decisions are recorded in each of the Executive papers ensuring that appropriate assessments form part of all the Council's key and non-key decisions.

Performance in services provided to customers is monitored through management information indicators, highlighting short and medium-term trends which are reported to the corporate Senior Management Team<sup>1</sup>. Progress against Carlisle Plan priorities and key actions is reviewed quarterly and reported through the Executive and relevant Overview & Scrutiny Panels with progress made in 2022/23 detailed below:

<sup>1</sup> The Chief Executive, Deputy CEO, S151 Officer, Monitoring Officer and Corporate Director of Economic Development.

## **PRIORITY – Economic growth**

*To be completed once the end of year performance report is finalised*

## **PRIORITY - Health and wellbeing**

*To be completed once the end of year performance report is finalised*

## **Roles and Responsibilities**

The City Council comprises 39 elected Members; no elections were held for Carlisle City Council during the 2022/23 as elections for members to the new shadow authorities for the two new unitary Councils were held in May 2022. The Council operates executive arrangements under the Local Government Act 2000 and has done so since September 2001. The Council operates the "Strong Leader" model whereby the Council appoints the Leader for a four-year period, who then nominates their Executive Portfolio Holders and decides the scope of their portfolios and the extent of delegated powers to each.

For 2022/23 the Executive comprises the Leader and five Executive Members (six for part of the year), one of whom the Leader is required to nominate as Deputy Leader. The operation of the Executive itself is prescribed by the Executive Procedure Rules set out in the Council's Constitution. It meets normally on a four-weekly cycle, with the Leader having oversight over both the agenda and the Notice of Key Decisions to be considered by the Executive over the coming month.

The Leader has set out the powers and responsibilities that they have delegated to both Portfolio Holders and Officers in an extensive Scheme of Delegation, incorporated into the Constitution, that they review at least annually but usually more frequently in practice. Any amended Scheme of Delegation is held within the Governance Directorate and all Members of the Council receive a copy. The document is available publicly on the Council's website. All decisions made by the Executive, whether collectively or individually, are properly recorded and subject to call in and scrutiny by the Council's Overview and Scrutiny Panels, subject, of course, to the provisions applying to matters deemed urgent.

Under the Executive arrangements, the full Council is responsible for setting the Council's budget and policy framework within which the Executive must operate. The Council has three Overview and Scrutiny Panels: People, Place and Resources. These Panels undertake the statutory scrutiny role set out in the 2000 Act and assist with examining and commenting on those policies proposed by the Executive for adoption as part of the policy framework. The three Panels are supported by a dedicated Scrutiny Officer who services solely the scrutiny function of the Council to ensure transparency in the process.

Each Panel also has a nominated member of the Council's Senior Management Team to support it in its scrutiny function. The operation of the scrutiny function is set out in the Overview and Scrutiny Procedure Rules in the Council's Constitution.

The Council's Constitution reserves only 11 policies to full Council (meaning only Council can change or amend the 11 policy areas) and this means that decisions are able to be taken in a clear, transparent manner and from a corporate governance perspective, it is a great deal more certain where responsibility for decision making rests, i.e. with the Council or the Executive.

The executive/scrutiny functions of the Council are supplemented by a number of regulatory Committees, established to deal with development control, licensing and certain non-executive employment matters. Their powers and Terms of Reference are set out in the Constitution, together with the delegated powers given by the Council to both the Committees and officers in respect of the various matters falling within the responsibility of the Committees. These powers are reviewed and approved by the Council annually.

The Council has an officer structure in place with roles, responsibilities and lines of communication clearly defined. Officers are led by the Senior Management Team, which, during 2022/23 comprised a Chief Executive, a Deputy Chief Executive and three Directors. The Team meets on a fortnightly basis to discuss corporate issues.

## **Codes of Conduct and Standards**

The Council has always (since the introduction of the obligation to have one) had a formally adopted Code of Conduct for its elected Members, underpinned by the Nolan principles of Public Life (selflessness, integrity, objectivity, accountability, openness, honesty & leadership) together with approved arrangements for dealing with standards matters. These form part of the Council's suite of constitutional documents and all Members undertake to adhere to its provisions (standards of behaviour, declarations of interest, register of gifts/hospitality etc.) as part of their Declaration of Acceptance of Office when elected. The new Code of Conduct arrangements have been standardised across Cumbria as far as possible.

Oversight of the Members' Code of Conduct, to ensure both compliance and the proper training of Members, rests with the Council's Standards Committee, which comprises of 7 Members of the City Council who are advised by an Independent Person (the appointment of 2 Independent Persons is ratified by Council). A Parish Member would be invited to

attend the Committee if any complaint or matter related to a Parish Member. Training on both the Code itself and the ethical principles behind it is provided to all newly elected Members of the Council as part of the standardised induction process and it will also be available to all members of the Council to participate in. Further training for Members on relevant Standards issues is provided by way of follow-up sessions as issues arise.

The Members' Code of Conduct is supplemented by a protocol governing Member and Officer working which was adopted by the Council as an additional guide to the Council's expectations and its cultural approach to the day-to-day working relations between Members and Officers. Training on this, is again, provided as part of the Member Induction Programme. Other supplemental guidance documents, adopted by the Council to assist with probity and best practice, include the Planning Code of Conduct for those Members serving on the Development Control Committee and the Members' Protocol on the Use of IT provided by the Council. Training is provided in the Member Induction Programme. In-year training is also given to Members of the Development Control and Licensing Committees on the specialist issues and considerations that arise because of the particular work of those Committees.

Since April 2021 the Council, and the other Cumbrian Councils, have adopted and followed a Code of Conduct based upon the template promoted by the Local Government Association. At the same time the Council also approved updated arrangements for dealing with standards matters and updated guidance. New areas explicitly covered included bullying, harassment and the use of social media. The Code of Conduct is contained within the Council's Constitution. The Council also has employee and management competency standards which highlight expected methods of work and behaviours. There is also a formal induction procedure for all new staff, supplemented by other information e.g. the Constitution, disciplinary procedures, etc.

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 & Contracts and Budgetary Control issues and a Management Development Programme. This forms part of the Council's training programme with the Member programme being considered and agreed by the Members' Learning and Development Group.

Numerous e-learning packages (mandatory and optional) are also available to supplement the training schedule with further ones planned for future development; these will ensure that appropriate training can be targeted at relevant officers.

### **Standing Orders/Financial Procedure Rules**

The Council's Contracts Procedure Rules and Financial Procedure Rules, together with the extent of delegation to officers in these areas, are set out extensively in the Council's Constitution. They define the overarching rules governing procurement by the Council and the powers and constraints on Members and officers in respect of the exercise of financial powers. The core documents, including authorised levels of spend, virement and "key decision" financial limits, are reviewed at least annually (and more frequently if circumstances arise) and updated by the Council. During the year the Directorate Scheme of Sub-Delegation to Officers continued to be revised which clearly set out any functions and named officers subject to such delegations and any terms and conditions attached to the sub-delegations.

The Council has revised and developed its risk management arrangements and has implemented a Risk Management Assurance Framework, incorporating the three lines assurance model. Risk assessment is overseen in the Council by a formal Corporate Risk Management Group (CRMG) made up of relevant officers and the Portfolio Holder for

Finance, Governance and Resources. A representative from the Council's Insurance Brokers/Advisers provides ad-hoc support, as required. The Group, led by the Deputy Chief Executive, oversees the compilation and updating of both the corporate and operational risk registers maintained by the Council, where the main corporate and directorate-specific risks faced by the Council are scored against an agreed matrix and appropriate steps identified to mitigate such risks as far as possible. All risks are monitored through a management monitoring function in SharePoint.

The Council has an Information Governance Framework including guidance on various requirements of the General Data Protection Regulation (GDPR), information governance risk assessment, the retention of records and, continues to develop records management arrangements. Face to face training and guidance on data protection continues to be delivered to Members and Officers during the year as well as the requirement for staff to undertake refresher e-learning training. The Information Governance officer monitors compliance, amongst other duties, with the new requirements of GDPR. The Council's Internal Audit function continues to review records management as part of all individual audits.

### **Ensuring Effective Counter-fraud and Anti-corruption Arrangements are Developed and Maintained**

In accordance with the "Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014)", the Council has a Counter Fraud and Corruption Policy in place as well as an Anti-Money Laundering Policy. Training on Fraud & Corruption was provided during the year and a supplementary e-learning training module on Money Laundering is available to all staff. Any investigations carried out during the year in relation to suspected fraud and corruption were undertaken by appropriately trained/experienced officers. Internal Audit continue to deliver an annual review of counter-fraud arrangements (started in 2019/20) to identify improvements against best practice and have also reviewed and suggested improvements to the Counter-Fraud Policy during 2022/23, which will also be used to support counter-fraud arrangements for the new authority.

### **Ensuring effective management of change and transformation**

The Council developed a savings strategy several years ago to deliver efficiency savings under the Government's efficiency agenda and has been successful in achieving a significant amount of revenue savings. The current savings programme has identified that a further £2.050 million is required to be found by 2023/24. Until further details are known of how the Fair Funding Review, Comprehensive Spending Review and the Business Rate Retention Scheme are to affect the Council, these savings have been found on a non-recurring basis where possible. The impact of COVID-19 on the Council's financial position was closely monitored during 2022/23 with shortfalls of income, additional expenditure, and the overall economic recovery and the impact on the Collection Fund being the main risks.

Managing transformational change effectively is critical to the successful delivery of the transformation programme and the delivery of the wider ambitions set out within the Carlisle Plan. However, given that the Council will cease to exist from 1 April 2023, the focus in 2022/23 has been to support the delivery of a balanced budget for Cumberland Council for 2023/24 and to ensure future financial sustainability for the new Unitary. During 2023/24 and future years Cumberland will commence a programme of transition and transformation to ensure that the transformation of its services is controlled and managed effectively, and that resources are directed to the priorities contained within its Corporate Plan.

### **Financial Management Arrangements**

The Council has a duty to comply the key principles contained within the revised CIPFA statement of the 'Role of the Chief Financial Officer in Local Government' and during 2022/23 the Council continued to comply with 5 key principles of the CIPFA statement.

The Council's Corporate Director of Finance & Resources 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. They lead and direct an adequately resourced, fit for purpose, finance function, comprising 20 officers, who support 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.

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.

The Council has a Medium-Term Financial Planning process (MTFP) which integrates budget and corporate planning to match resources to the corporate priorities. The planning and monitoring framework is co-ordinated through the JMT which consists of the Executive Members and SMT. CIPFA introduced a Financial Management Code (FM Code) in 2019 with the intention it would be introduced from 2020/21. The FM Code is intended to improve the financial resilience of organisations by embedding enhanced standards of financial management. There are clear links between the FM Code and the Governance Framework, particularly around focus on achieving sustainable outcomes. The Council has undertaken work to ensure compliance with the code and the findings were presented to the Audit Committee in September 2022.

All executive decisions are subject to a full impact assessment from a financial and legal perspective. In addition, full option appraisals are included for all business cases for specific projects.

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.

Value for Money benchmarking exercises are usually undertaken across service areas when required, though no specific exercises were performed during 2022/23 due to resource issues as a result of the pandemic and the need to support the LGR process. However, the Council continued to procure services following appropriate, established processes designed to ensure value-for-money is achieved.

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 Scrutiny. The Council is committed to improving the effectiveness of its budget monitoring arrangements and in strengthening the links between budget and performance monitoring.

The annual Statement of Accounts are produced in accordance with the statutory deadlines and year-end actual results are reported against budgets. The summary revenue position is shown within the narrative statement, comparing actual results against revised budgets. Out-turn reports produced for revenue and capital expenditure are presented to the Audit

Committee and are considered by Executive, Scrutiny and Council. The Council is committed to making continuous improvements to comply with the Local Authority Code of Practice and International Financial Reporting Standards.

### **Ensuring effective arrangements are in place for the discharge of the Monitoring Officer function**

The Corporate Director of Governance & Regulatory Services is the Council's Monitoring Officer with the Head of Legal Services acting as the deputy. These officers have a duty to report to the Council and the Executive in any case where they believe any proposal, decision or omission will give rise to unlawfulness or if any decision or omission has given rise to or would constitute maladministration.

The Council's Code of Corporate Governance determines that the Monitoring Officer is 'responsible to the Council for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with'. In addition to this, the Monitoring Officer provides a range of functions relating to the conduct of Councillors (for example maintaining the Register of Members' Interests, Code of Conduct complaints etc), advising the Audit Committee and providing commentary on every report to the Executive and Council. The Monitoring Officer conducts annual reviews of the Council's Constitution and makes recommendations for change, which are adopted by Council in May of each year.

As a member of the Senior Management Team and reporting directly to the Chief Executive, the Monitoring Officer has regular meetings (in addition to the actual meetings of SMT) with the Chief Executive and S151 officer in order to review current and likely future issues with legal, constitutional or ethical implications; thus ensuring the effective undertaking of his duties. The Authority also provides the Monitoring Officer with sufficient resources to undertake the role as required by the Local Government and Housing Act 1989.

### **Ensuring effective arrangements are in place for the discharge of the Head of Paid Service function**

The Council's Head of Paid Service is the Town Clerk and Chief Executive and contained within the Council's Code of Corporate Governance is the principle of 'Developing the entities capacity, including the capacity of its leadership and individuals within it' incorporating the requirement of 'ensuring 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'. The Council's Constitution clearly sets out their role and responsibilities in respect of management structures and the discharge of functions by the Council. They will report to Council on:

- the manner in which the discharge of functions is co-ordinated;
- the number and grades of officers required for the discharge of functions;
- the organisation of officers.

They are currently supported in their role by a Deputy and three Corporate Directors and has regular access to and contact with the Leader of the Council and the Executive, through formal meetings of the Executive and informal Joint Management Team meetings. The Chief Executive supports the Scrutiny function and currently has direct line management responsibilities for Customer Services and ICT Services.

The Head of Paid Service introduced the concept of SMT sub-groups to encourage greater cross-directorate working on operational and corporate projects. Four sub-groups are established, each led by a member of SMT, and each with clear functions and terms of

reference. The aim is to promote a culture of empowerment thus ensuring that operational decisions can be made at the correct level within the organisation.

## Audit Committee

As a means of ensuring best practice, the Council has an established Audit Committee to oversee the workings of the corporate governance arrangements of the Council and to report to Council on these and related financial probity issues. The Audit Committee operates in accordance with CIPFA's "Audit Committees – Practical Guidance for Local Authorities (2013)". This is supplemented by the Council's Standards Committee, established under the Act to be responsible for conduct issues relating to elected Members.

The Council has a duty to comply with the key principles contained within the 2010 CIPFA statement of the 'Role of the Head of Internal Audit' and during 2022/23 the Council continued to comply with 5 key principles of the CIPFA statement.

The Designated Head of Internal Audit is also the Council's Head of Financial Services, who manages an in-house Internal Audit team comprising an Audit Services Manager and two Auditors. Controls have been put into place to maintain the team's organisational independence, which are documented in the approved Internal Audit Charter. During 2022/23 the Audit Services Manager continued with a shared management arrangement between the City Council and Allerdale and Copeland Borough Councils, which will ensure a consistent approach is taken by Internal Audit by the three Councils, who will merge into one authority from 2023/24. Additional management support was provided within the team during 2022/23 to ensure delivery of the Carlisle Internal Audit plan.

The scope of internal audit work covers all aspects of the organisation's risk management, internal control and governance frameworks and the Internal Audit annual report feeds into the preparation of the Council's Annual Governance Statement. Where appropriate, Internal Audit advises the organisation on emerging risks and undertake priority risk audit (audit consultancy) work on new projects and developments as they take place.

An annual audit opinion is provided to the Audit Committee based on the work undertaken by Internal Audit during the year from the agreed risk-based audit plan, which includes a wide range of council operations along with risk management, internal control and governance considerations.

**A reasonable assurance** has been provided on the adequacy and effectiveness in respect of 2022/23, though the opinion maintains concerns in relation to ICT Services due to limited progression of agreed actions to previous audit recommendations. The opinion however also reflects improvements made to the team's resource levels and ongoing commitment to manage the key risks relating to cyber security, in particularly ensuring concerns are being addressed as part of the LGR ICT work-stream.

Significant control concerns were also identified in the year in relation to the governance and risk management processes in place over the management of the Sustainable Warmth Grant. However, the Council's Senior Management Team shared these concerns and assurances have been obtained that the Council has liaised with the funding provider and has a plan to maximise delivery for the remainder of the project.

The audit opinion also highlighted concerns around additional resource pressures on Council officers from Local Government Re-Organisation, significant projects and ongoing pressures from the Covid-19 pandemic and the impact this may have on adherence to the Governance, Risk Management and Internal Control framework, while recognised improved client engagement within the year



The Internal Audit team were subject to an External Quality Assessment in 2018/19. The assessment found the team to be compliant with Public Sector Internal Audit Standards. Actions to address minor recommendations for improvement have all been implemented. The team continue to perform annual self-assessments against the requirement of the Standards, with improvements identified, actioned and reported to the Audit Committee in July 2022.

The Designated Head of Audit reports directly to the Council's section 151 officer and has direct access to the Senior Management Team (SMT) and Chief Executive as required. The Designated Head of Internal Audit and Audit Services Manager attend all Audit Committee meetings and have the opportunity for private dialogue with the Chair as appropriate. The Audit Services Manager also has the authority to report directly to the Chief Executive/Chair of Audit Committee if they have concerns about the suppression of audit evidence or the conduct of the designated Head of Internal Audit.

The resource available within Internal Audit is subject to a regular review and assessed as fit for purpose for 2022/23; the team achieved sufficient coverage to enable an unqualified opinion to be provided. The audit team has a range of skills and qualifications. The Designated Head of Internal Audit is CIPFA qualified and has 9 years' experience in Local Government Internal Auditing. The Audit Services Manager is PIIA qualified (and is in the process of obtaining full chartered status) and has 13 years' experience in local government internal auditing. The Audit team maintain a record of all training and experience within their Quality Assurance and Improvement Programme.

### **Ensuring Compliance with Relevant Laws**

Systems are in place to ensure that appropriate legal and financial advice is provided at relevant points in the decision-making process to ensure the vires of decisions made by the Council. All reports to Members requiring a decision incorporate an addendum from the Corporate Director of Governance & Regulatory Services (the Council's Monitoring Officer) and from the Corporate Director of Finance & Resources. This ensures that checks are made on the legal and financial consequences of any course of action prior to a decision being made. Both statutory officers are also members of the Joint Management Team and the Senior Management Team to ensure that financial and legal advice is available at the inception of any matter and when any issues relating to the Council's powers and duties are under consideration.

Similar representation by legal and financial officers is provided for on Officer Working Groups dealing with relevant policy issues so that a check is maintained on vires and financial issues at that level. Legal representation and advice is also provided as a matter of course at the Development Control, Regulatory and Licensing Committees to ensure that the quasi-judicial functions carried out by those Committees are undertaken lawfully. A legal adviser is also present at meetings of the Audit Committee, Standards Committee and Employment Panel and also at Appeal Panel meetings if necessary.

The Council has a variety of methods of receiving updates in legislative changes. In addition to the departmental roles in keeping up to date with legislative, regulatory and guidance changes, the Council subscribes to a corporate legal updating service which provides for daily updates directly to officers. The usual method of direct notification of legislative changes by Central Government also occurs on an ongoing basis. In addition, the legal services section ensures appropriate bulletins are promulgated to relevant clients.

### **Complaints and Whistle blowing**

The Council operates a formal Corporate Complaints System in accordance with best practice recommended by the Local Government Ombudsman, giving members of the public capacity to complain about aspects of the Council's services with which they may be dissatisfied. The objective of the complaints process is to endeavour to resolve the complaint satisfactorily at local level, rather than it being referred to the Ombudsman, although this, of course, is always an entitlement of the complainant if they remain dissatisfied with the Council's handling of the matter. The complaints process was streamlined during 2021/22 and embedded in 2022/23.

The basis of the corporate complaints process is that the relevant Directorate deals with the complaint initially but, in the event of the complainant still being dissatisfied, the process provides an internal Right of Appeal initially to the Chief Executive or nominee and then, if necessary, to a small panel of three elected Members who review the position. This includes a formal hearing at which the complainant may attend, in an endeavour to resolve the matter. Members of the Council's Appeal Panels receive training on the type of matters that they may consider in that role.

The Council has a Confidential Reporting Policy that is available to all members of staff.

### **Identifying the development needs of Members and senior officers**

The Council has a formal induction and appraisal scheme, which is mandatory for all officers, including all senior managers, which was reviewed and stream-lined to focus on competencies and training needs. It is carried out each year and forms part of the review of the Carlisle Plan. Appraisals are recorded and there is monitoring of compliance by SMT along with an annual report to Members of the People Scrutiny Panel which includes the key findings of the biennial Employee Opinion Survey. The appraisal process has been developed to include team reflection on the cultures and values of the organisation as defined by the 3 C's; clear, committed and confident, and recruitment policies are in place that support the achievement of the Council's ethical values. A Workforce Development Plan has been approved (though partly curtailed as a result of LGR) and Service Plans include workforce planning and needs and mentoring and coaching programmes are in place to promote development of all Members and Officers.

The management competency framework was developed further with ongoing provision of a range of workshops to enhance the skills and knowledge of managers and supervisors to fulfil their roles more effectively whilst promoting the culture, values of the organisation as well as the expected behaviour of all employees. A member mentoring programme is in place for members and a coaching programme has been introduced for employees.

The Council has signed the 'Time to Change' pledge to stop stigma about mental health and achieved the Gold Better Health at Work Award. There is an employee well-being programme in 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. Further support has been offered to staff whilst the Council is going through the LGR change programme to ensure there is a continued focus on the health and well-being of staff – this was considered by the People Scrutiny Panel on 12 January 2023.

### **Clear channels of communication**

The Council's Communication Policy and Consultation Policy clearly set out its commitment to high quality, open, timely, relevant communications and consultation that encourage feedback from all sections of its local communities. All decisions and reports are publicly

available unless justifiable reasoning is provided to maintain confidentiality and the Council is dedicated to ensuring transparency through adherence to the Local Government Transparency Code. These policies underpin the Council's developing Community Empowerment and Engagement Policies that will ensure local people's involvement in the design and delivery of more responsive local services.

The Council works closely with local groups representing those that are in a minority in the local communities, including those with a disability and ethnic minorities, to ensure that their communications and consultation needs are met. 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 social media and other online surveys, alongside continued growth in social media capacity. 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.

### **Enhancing the accountability for service delivery and effectiveness of other public service providers**

Whilst the Council continues to deliver most of its key services directly there are areas where services are commissioned. Arrangements are in place, to monitor both the administration of the services and the quality of that service and this information is reported back into the Council and monitored through the Overview and Scrutiny process.

These monitoring arrangements cover all those organisations deemed to be significant partnerships. However, many partnerships are contractual arrangements and definitions have been reviewed and revised to accommodate future monitoring and reporting requirements. This continues to form part of the monitoring process.

Enhanced monitoring arrangements for specific public services are embedded within the Council, and more robust challenges are made to partners/contractors to ensure that they are fulfilling their obligations and that the service provided continues to meet Members expectations. In respect of shared service agreements, the robust governance arrangements set up at the inception of the shared service continues to ensure that service delivery is effective and meets the partner's expectations.

The Council continues to review those organisations which receive grant aid from the Council. Many of these relate to third sector organisations with a significant contribution sum being made to local Community Centres.

### **Good governance in respect of Partnerships**

The Council's key governance arrangements and procedures ensure that partnerships are entered into for the right reasons, all factors/implications are fully considered as part of the set-up process, the Council's role is clearly defined, expected outputs and outcomes are identified and the appropriate monitoring arrangements are in place. In all, the Council has robust management arrangements in place and a clear framework in which to operate. It is important to note that whilst these central control mechanisms exist, the actual appliance of and delivery of partnerships is the responsibility of individual service areas. Key control measures are outlined below:

The Council has a robust Partnership Policy in place that provides guidance on the nature and risks of partnerships. This Policy includes a clear definition of a partnership and, more specifically, what constitutes a significant partnership. Responsibilities for setting up, delivering and monitoring partnerships are clearly defined both in the Policy and in general working practices.

The Corporate Partnerships Register, maintained by Financial Services, is the central monitoring tool used to track all partnerships in progress. Consideration is given towards Exit / Succession strategies (if appropriate) at the initial set up and as part of the Annual Review.

A Business Case model, based around good practice measures, is used for all new proposed partnerships. These are considered by SMT. Proposed significant partnerships are also reported to the Executive.

The Council's Financial Procedure Rules contains specific guidance on officers' duties and responsibilities regarding partnerships. A flowchart provides an aid for officers to guide them through the partnership process. Supplementary guidance notes are also in place as well as the availability of one to one training and support to guide officers setting up new partnerships, through to annual reviews.

Operationally, risk assessments are maintained and shared with partners throughout the life of the partnership. Emerging significant risks are brought to the attention of the Council's Risk Management Group. Strategically, the Council manages the potential risk of new and existing partnerships through the Corporate Risk Register. The Corporate Risk Register is usually reviewed quarterly by the Risk Management Group and reported to the People Scrutiny Panel and the Audit Committee.

Significant partnerships are subject to a robust set of measures. Annual reviews are undertaken for all significant partnerships, which has been extended to include all Shared Service arrangements, the results of which form part of the statement of accounts. This reporting is co-ordinated by Financial Services and is considered by SMT and the Business and Transformation Scrutiny Panel, upon request.

## **Review of Effectiveness**

The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the managers within the Council who have responsibility for the development and maintenance of the governance environment, the Designated Head of Internal Audit's annual report, and by comments made by the External Auditors and other reviewing agencies and inspectorates.

The following processes have been applied in maintaining and reviewing the effectiveness of the governance framework:

An effective Governance Framework is maintained by ensuring that the Council's Constitution is reviewed and updated on a regular basis. This includes both the Council's and the Leader's Schemes of Delegation for Corporate Directors and Chief Officers, and encompasses and defines the roles of the Council, the Executive and the standing Committees including Overview and Scrutiny, Standards Committee and the Audit Committee.

Regular meetings of the Council and its Committees are held during each year and all reports to the Executive include comments from the Council's Corporate Director of Finance & Resources and the Corporate Director of Governance & Regulatory Services – the latter also being the Council's Monitoring Officer. The aforementioned statutory officers also oversee the reports considered by the Council's Regulatory and Audit Committees.

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 either via Teams or via email in 2022/23. Progress on the CRR is reported half yearly to Members. In accordance with the requirements of the CIPFA Code of Practice for Internal Audit, the Designated Head of Internal Audit reports to the Audit Committee on a regular basis, to appraise Members of any emerging control/governance/risk issues. The Designated Head of Internal Audit also presents an annual report that includes a statement of assurance relating to the Council's overall standard of internal control, which includes assurances obtained from self- assessment questionnaires of main financial systems and assurances taken from second line assurance providers, alongside the results of audit activity. The Council has also received external assurances in 2022/23 which inform this statement of assurance.

The Council also receives assurances from its external auditors, Grant Thornton, who provides annual opinions on the accuracy of the annual Statement of Accounts and on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (VFM conclusion). All recommendations provided through these opinions receive a management response and are implemented during the following year with progress being monitored by the Audit Committee.

The requirements outlined in the CIPFA/SOLACE document "Delivering Good Governance in Local Government" have been assessed. Where necessary any areas where action is required to ensure that the Council meets all of the defined requirements are identified on the Action Plan that forms part of this Statement.

## **Conclusion**

We have been advised on the implications following the review of the effectiveness of the governance framework by the Audit Committee and that they continue to be regarded as fit for purpose in accordance with the governance framework. There are no significant weaknesses to report and no action points to consider.

We propose, over the coming year, to monitor and implement improvements to further enhance our governance arrangements. However, we are satisfied that any necessary improvements that were identified in the review of effectiveness are not deemed to be significant in nature and are therefore not reported as part of this statement.

**Signed on behalf of Carlisle City Council**

---

John Mallinson  
Leader of Council

---

Jason Gooding  
Chief Executive

---

Alison Taylor  
Corporate Director of Finance & Resources

Date: 3 March 2023

DRAFT