

AUDIT COMMITTEE

THURSDAY 16 MARCH 2017 AT 10.05 AM

PRESENT: Councillor Patrick (Chairman), Councillors Bowditch, Christian (as substitute for Councillor Shepherd), Higgs, Mrs Mallinson and Mrs Riddle

OFFICERS: Deputy Chief Executive (for Item A.7)
Corporate Director of Governance and Regulatory Services
Chief Finance Officer
Chief Accountant
Revenues and Benefits Operations Manager (for Item A.2)

Audit Manager (Cumbria Shared Internal Audit Service)
Principal Auditor (Cumbria Shared Internal Audit Service)

ALSO

PRESENT: Audit Manager (Grant Thornton)

AUC.01/17 CHAIRMAN'S COMMENTS

The Chairman welcomed all those present to the meeting.

AUC.02/17 APOLOGIES FOR ABSENCE

Apologies for absence were submitted on behalf of Councillor Shepherd; and the Associate Director (Grant Thornton).

AUC.03/17 DECLARATIONS OF INTEREST

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

AUC.04/17 PUBLIC AND PRESS

RESOLVED – That the Agenda be agreed as circulated.

AUC.05/17 MINUTES OF PREVIOUS MEETING

The Minutes of the meeting of the Audit Committee held on 22 December 2016 were submitted.

Referring to Minute AUC.70/16, the Chairman informed Members that the Effectiveness Review workshop session for Members and Substitute Members of the Audit Committee would take place on 11 April 2017. She expressed the hope that all would attend.

RESOLVED – That the Minutes of the meeting of the Audit Committee held on 22 December 2016 be agreed as a correct record and signed by the Chairman.

AUC.06/17 MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL

The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 5 January and 23 February 2017 were submitted for information.

RESOLVED – That the Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 5 January and 23 February 2017 be noted and received.

AUC.07/17 EXTERNAL AUDIT CERTIFICATION WORK 2015/16

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

The Audit Manager (Grant Thornton) presented the final version of Grant Thornton's Letter setting out the findings from their certification work for Carlisle City Council for the year ended 31 March 2016.

Speaking by way of background, the Audit Manager explained that Grant Thornton was required to certify the Housing Benefit subsidy claim submitted by the City Council. That certification typically took place six to nine months after the claim period and represented a final but important part of the process to confirm the Council's entitlement to funding.

The Housing Benefit subsidy claim for the financial year 2015/16 relating to expenditure of £29.105 million had been certified. Further details of the claims certified were as set out at Appendix A.

The Audit Manager (Grant Thornton) informed Members that they were satisfied that overall the Council had appropriate arrangements to compile complete, accurate and timely claims for audit certification, although there were some issues arising from the certification work which she wished to highlight for Members' attention.

She summarised the testing requirements and errors identified during the testing process. The only issue arising from the testing was one overpayment for £17.65 identified in the Rent Allowance rental uplift testing.

The claim submitted for audit did not require amendment. However, the claim was subject to a qualification letter for the errors identified in initial and 40+ testing. A qualification letter was required when further testing could not determine an amendment to the claim form as Grant Thornton could not fully quantify the error in the population to conclude that the cell in question was fairly stated.

The indicative fee for 2015/16 for the Council was based on the final 2013/14 certification fees, reflecting the amount of work required by the auditor to certify the Housing Benefit subsidy claim that year. The indicative scale fee set by the Audit Commission for the Council for 2015/16 was £11,352, which represented a 25% reduction on the 2013/14 fee applied to all fees for 2015/16.

The level of work required in 2015/16 was higher than the level of work required in 2013/14, due to the additional number of 40+ cases to test. The proposed fee variation for the additional work was £5,500, which had been agreed with management. The fee would not be considered as final until it was confirmed by the PSAA.

Bearing in mind that the Housing Benefit subsidy claim related to expenditure of £29.105 million, a Member asked whether the errors identified were of an expected level.

The Audit Manager (Grant Thornton) replied that the process was highly mechanised and she believed the errors to be similar to those identified in other Councils.

The Chairman noted that certain of the errors had similarly been identified in previous years, whereas others were of a more complex nature.

In response, the Audit Manager (Grant Thornton) explained that an error in non HRA income could arise due to the classification of cells within the claim.

The Chairman then invited the Revenues and Benefits Operations Manager to provide an update on the action being taken to address the errors identified moving forward.

The Revenues and Benefits Operations Manager stated that he was aware of the issues, which had been taken into account and were being actioned. He provided an overview of the Housing Benefit certification process, including provision of training, and action taken to address the issues alluded to.

The structure within Revenues and Benefit Services had changed in September 2016 and a Quality Officer had been appointed. Although there would always be an element of human error, accuracy was improving statistically.

The Revenues and Benefits Operations Manager added that the issue was around gaining an understanding of common areas. Training had been provided in the past month, and the position would be monitored moving forward.

The Audit Manager (Grant Thornton) added that the Officer with whom Grant Thornton liaised took into account learning from other areas.

The Chairman was reassured by the explanation provided.

RESOLVED – (1) That the Certification Work Report 2015/16 be noted and received.

(2) That the Audit Committee welcomed the assurance provided regarding improved accuracy levels, and that the Quality Officer post was now in place.

AUC.08/17 EXTERNAL AUDIT PLAN 2016/17

The Audit Manager (Grant Thornton) presented the Audit Plan for Carlisle City Council for the year ended 31 March 2017, the content of which had been discussed with management.

Grant Thornton's responsibilities under the National Audit Office (NAO) Code of Practice were two fold, namely to: give an opinion on the Council's financial statements; and satisfy themselves that the Council had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

A key element of the audit was gaining an understanding of the Council's business and key developments, a summary of which was provided. A key point of note related to changes to the CIPFA Code of Practice in 2016/17 which included the "Telling the Story" project to streamline the financial statements to be more in line with internal organisational reporting and improve accessibility to the reader of the financial statements. Work was ongoing with the Chief Finance Officer and Chief Accountant on that aspect.

The Audit Manager (Grant Thornton) added that it was a credit to Financial Services that the authority was able to achieve the earlier closedown on the financial statements.

The Plan was representative of a risk-based approach to audit planning. In performing the audit Grant Thornton applied the concept of materiality. Items relating to disclosures of officers' remuneration, salary bandings and exit packages in the notes to the financial statements; and disclosure of related party transactions had been identified where lower materiality levels were appropriate.

There were two presumed significant risks applicable to all audits under auditing standards (International Standards on Auditing – ISAs), namely: the revenue cycle included fraudulent transactions; and management over-ride of controls. Two other significant risks had been identified in relation to the valuation of pension fund net liability; and the valuation of property, plant and equipment (PPE) and investment property. Details of the other risks of material misstatement were also provided.

The Audit Manager (Grant Thornton) indicated that Grant Thornton was required to give a statutory value for money conclusion on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The conclusion this year would be based on one single criterion 'In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people' supported by three sub-criteria (informed decision making; sustainable resource deployment; and working with partners and other third parties).

Members' attention was drawn to the significant risk identified as a result of Grant Thornton's initial risk assessment - significant service transformation projects and the Medium Term Financial Plan - details of which and the work proposed to address the matter were set out within the report; together with the results of the interim audit work undertaken.

The Audit Manager (Grant Thornton) further outlined the key dates / timescales; fees; and independence requirements/disclosures as set out on pages 55 - 57 of the Agenda document pack.

In response to a question from the Chief Finance Officer, the Audit Manager (Grant Thornton) explained that a review of Information Technology controls was undertaken every three years.

RESOLVED – That the Audit Plan for 2016/17 be noted and received.

AUC.09/17 EXTERNAL AUDIT PROGRESS AND UPDATE REPORT

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

The Audit Manager provided an overview of progress as at February 2017 as detailed within the report.

Attention was particularly drawn to the fact that, from the cyclical review of Information Technology controls eight areas for improvement had been identified. None of the issues identified had been assessed as significant and did not therefore impact upon Grant Thornton's audit approach. The update report provided a high level overview of the findings and the action agreed, as summarised on page 6 thereof.

The report also detailed the position regarding the final accounts audit; and the value for money conclusion.

The Audit Manager (Grant Thornton) further highlighted the fact that the Chancellor's Autumn Statement 2016 speech delivered a number of changes which would impact the UK business environment and raise considerations for the authority as an employer (page 69 of the document pack referred). Grant Thornton's report entitled "The income spectrum" (copies of which were tabled) would be of use. She also referenced the technical matters, together with sector issues and developments.

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

- *The cyclical review of IT controls had identified eight areas for improvement. Although none were classed as significant, how would the Committee gain an oversight of the action taken to address those issues?*

It was agreed that Internal Audit should be asked to provide a follow-up report to the January 2018 meeting of the Audit Committee.

- *What were the key changes emanating from the "Telling the Story" project?*

In response the Chief Accountant explained the main changes which affected the presentation of the Comprehensive Income and Expenditure Statement (CIES); the Movement in Reserves Statement and segmental reporting disclosures.

A key change was that the cost of services in the CIES was to be reported on the basis of the City Council's organisational structure, rather than the Service Reporting Code of Practice headings. It would not therefore be possible to compare with other local authorities.

The Audit Manager (Grant Thornton) stated that Grant Thornton had facilitated Local Government workshops, and the issue alluded to had been raised as a common theme.

The Chief Finance Officer advised that the Chief Accountant and his team also required to submit returns in the old format. It was therefore important that sufficient flexibility was built into the system to enable reporting in different ways.

The Audit Manager (Grant Thornton) was pleased to note the action being undertaken to address the matter, which was another good example of work being done early.

- *Would the salary sacrifice arrangements in the Autumn Statement affect the authority's Accounts?*

The Chief Accountant replied that there would be no impact upon the Accounts.

- *In April CIPFA and SOLACE had published “Delivering Good Governance in Local Government: Framework (2016)”. Were there any implications for the City Council?*

In response, the Chief Finance Officer confirmed that the Framework would form the basis of the Annual Governance Statement; the local Code would be updated and submitted to the Audit Committee at their July 2017 meeting.

RESOLVED – (1) That the Audit Committee noted and received Grant Thornton’s progress and update report for the year ending 31 March 2017.

(2) That the Internal Audit Service be requested to submit a follow-up report on the implementation of the areas for improvement identified in the cyclical review of Information Technology to the January 2018 meeting of the Audit Committee.

AUC.10/17 AUDIT COMMITTEE’S ANNUAL REPORT

The Chairman presented report RD.59/16 summarising the work undertaken by the Audit Committee during 2016/17. Also included was the Committee’s Terms of Reference.

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

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

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

Members were appreciative of the work undertaken by Officers in production of the report.

RESOLVED – That the Annual Report of the Audit Committee, which would be submitted to the City Council on 25 April 2017, be noted and accepted.

AUC.11/17 INTERNAL AUDIT PLAN 2017/18

Speaking at the invitation of the Chairman, the Chief Finance Officer informed Members that, as of 1 April 2017, the Council would operate the Internal Audit Service in house, having decided not to continue with the Internal Audit Shared Service through the County Council. Therefore the Audit Plan presented in Report RD.61/16 would reflect the work of the new Internal Audit Team that was to be established from 1 April 2017.

The Chief Finance Officer outlined the progress being made with the County Council with regard to the TUPE arrangements for staff to transfer back to the Council on 1 April 2017. There would be two 'Senior Auditor' posts transferring back to the Council and a meeting had taken place with the Trade Unions / two members of staff affected on 2 March 2017. New job descriptions had been prepared and recruitment to the Principal Auditor post would be undertaken imminently.

In addition, agreement had been reached regarding the transfer of audit files / papers.

The Chief Accountant added that work was underway on preparing report templates, working papers and guidelines for the new audit team to work to from 1 April. A new draft report template would be brought to Audit Committee in July 2017 for information and comment.

The Chief Accountant then presented report RD.61/16 which recorded that Internal Audit was required, under the mandatory Public Sector Internal Audit Standards (PSIAS), to prepare an annual risk based Audit Plan for approval by the Audit Committee.

He highlighted in particular the proposal that there would be 550 direct days of Internal Audit time in 2017/18. That compared to 450 direct days in 2016/17. The proposal assumed that the Internal Audit Service would be fully established by 1 April 2017; that was unlikely and the Committee would be updated on the position in due course.

The Chief Accountant further summarised in some detail the content of the Internal Audit Plan 2017/18, attached at Appendix A to E, which had been prepared in line with the planning methodology approved by the Audit Committee and following consultation with the Council's senior management to identify the areas where it was considered that Internal Audit could add the greatest value through provision of independent assurance.

In terms of Internal Audit service delivery, it was a requirement of the PSIAS that the Council had in place an Audit Charter. The Charter, attached at Appendix F, set out the arrangements for the delivery of the Internal Audit Service originally approved by the Committee in April 2014. Changes had been made to the Charter for 2017/18 to reflect the new in-house provision by the Council and the revised PSIAS issued in March 2016.

The Chief Accountant further outlined a number of minor amendments which required to be made to the Audit Charter:

- Paragraph 6.2 – delete the word "organisation" and replace with "directorate"
- Paragraph 6.9 – move the first sentence to the end of the paragraph
- Paragraph 9.3 – insert the word "Audit" following the word "Internal" within the second sentence
- Paragraph 10.1 (3rd bullet point) – delete the word "personal" and replace with "personnel"
- Paragraph 10.3 – delete the word "proving" within the first sentence and replace with "providing"

A Member suggested that the Chairman and Vice-Chairman should 'sign off' the Audit Charter following those amendments, which course of action was agreed.

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

In conclusion, the Chief Accountant requested that the Committee approve the 2017/18 Audit Plan attached at Appendix A and Appendix E; and the Internal Audit Charter for 2017/18 attached at Appendix F subject to the amendments referenced above.

The Chairman welcomed submission of the update, together with the good and comprehensive work to be undertaken moving forward.

RESOLVED – (1) That Report RD.61/16 be received.

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

- the 2017/18 Audit Plan (attached at Appendix A - Appendix E);
- the Internal Audit Charter for 2017/18 (attached as Appendix F), subject to the proposed minor amendments; the final version to be forwarded to the Chairman and Vice-Chairman for approval.

The meeting adjourned at 10.50 am and reconvened at 10.54 am

AUC.12/17 INTERNAL AUDIT PROGRESS REPORT 2016/17

The Chairman indicated that the Vice-Chairman would take the Chair during consideration of the final audit report on Rethinking Waste Project Management.

The Audit Manager (Cumbria Shared Internal Audit Service) submitted report RD.60/16 summarising the work carried out by Internal Audit and detailing progress against the 2016/17 Audit Plan.

The Audit Manager informed Members that the 2016/17 Annual Risk Based Audit Plan was agreed by the Audit Committee on 19 April 2016 – Report RD 01/16 referred. A summary of the overall 2016/17 plan position was included at Appendix A for information.

The report recorded that in light of Carlisle City Council withdrawing from the Cumbria Internal Audit Shared Service on 31 March 2017, management had agreed that 3 audits in the 2016/17 plan would be carried forward and included in the 2017/18 plan to be delivered by the new in-house Internal Audit Team. However, following a meeting it had been agreed that the audit of Cash Income would also be carried forward and included in the 2017/18 plan.

Subject to the above amendment, and provided that all remaining audits underway at 31 March 2017 could be completed to meet Audit Committee timescales, there should be 15 risk-based audits to inform the annual audit opinion. Based upon current expectations, the remaining 9 audits still to be finalised would come to Audit Committee in July alongside the Internal Audit Annual Report.

The Audit Manager further reported that Internal Audit had been unable to progress the records management aspect of the audit on Information Governance within a reasonable timescale and staff resources were no longer available to undertake that piece of work. It had therefore been recommended that the review should now be included in the 2017/18 audit plan.

A Member was extremely disappointed that the records management aspect of that audit had not been completed. The issue had been of concern to the Committee over a long period, their Annual Report to Council recording that the matter was on track, which was clearly not now the case.

The Chairman added that Records Management had been classed as a significant weakness in the Council's governance arrangements. Although the updates provided and excellent work undertaken / direction of travel with regard to records management were acknowledged, the Committee had resolved to await further assurance from the Information Governance Audit Review prior to taking a decision to remove the item from the Annual Governance Statement.

For an Officer not to prioritise an audit which would provide the Audit Committee with necessary and requested levels of assurances was really worrying.

It was suggested that the matter should be referred to the Executive for resolution.

In response, the Corporate Director of Governance and Regulatory Services considered that the issue was operational in nature and should, in the first instance, more properly be referred to the Senior Management Team, who would take it up with the individual concerned.

The Deputy Chief Executive concurred with that course of action.

Detailed discussion took place, during which Members:

- referenced discussions at previous meetings of the Audit Committee;
- questioned whether there was a lack of resources / capacity and competing demands within the Section in question in terms of service delivery which had prevented the individual liaising with Internal Audit on completion of the work;
- suggested that consideration be given to the methodology by which staff would gain an understanding of the Audit Charter and how it worked;
- highlighted the wider issue of serious concern which related to the manner by which Internal Audit and the Audit Committee were perceived. Action needed to be taken to address that, particularly in instances when audit reviews resulted in partial assurance opinions.

The Deputy Chief Executive responded to the issues raised, advising that he did not believe the problem to necessarily be one of resources; and it may be beneficial to remind Officers of how their work with Internal Audit could affect the organisation. Scope may also exist to take steps to ensure that both the Audit Committee and the authority achieved maximum gain from the process within the resources available.

The Deputy Chief Executive added that he had made a direct offer to meet with Internal Audit to resolve the records management issue, but that was rejected as the deadline had passed.

A Member questioned what level of assurance Members would receive should the matter be referred to the Senior Management Team.

The Corporate Director of Governance and Regulatory Services replied that the Senior Management Team would consider the referral and report back to the Committee providing the formal assurance which Members were entitled to.

Members then agreed to withdraw the proposed reference to the Executive.

Returning to the report, the Audit Manager (Cumbria Shared Internal Audit Service) indicated that the audit of Asset Acquisitions and Disposals had been delayed due to a key contact at Carlisle City being absent from work; however the scoping meeting had now been held.

During the period Internal Audit had also completed a grant claim for the Broadband Voucher Scheme.

The only item relating to the 2015/16 plan which was not complete was the follow up review of Homeworking. A management update statement had been provided but information to confirm the implementation of agreed actions was still being sought, in particular, the documented risk assessments for homeworkers.

Performance measures for Internal Audit were also included for information at Appendix B.

Turning to the issue of final Audit Reports, the Audit Manager (Cumbria Shared Internal Audit Service) informed Members that two audit reports were submitted for consideration by the Committee today – Audit of Development Management; and Audit of Rethinking Waste Project Management.

The Audit Manager (Cumbria Shared Internal Audit Service) and the Principal Auditor provided an overview of the above mentioned audits (focussing in the main upon the audit with a partial assurance opinion); associated recommendations and reasons for the assurance opinions attributed to each audit.

Members raised the undernoted issues / concerns during their consideration of the Audit Reviews:

Councillor Bowditch in the Chair.

Audit of Rethinking Waste Project Management (Partial Assurance Opinion)

- *A Member said that the project had been well advanced by the time that the Neighbourhood Services and Enforcement Manager assumed responsibility. The Officer had to deal with numerous operational issues and the good work he had undertaken on service delivery was recognised.*

The recommendations / areas for development contained within the final audit report suggested a lack of understanding amongst staff of project management methodology. In addition, there was a question around the availability of resources to address the required work; and a risk assessment should have been completed at the start of the project.

In response, the Deputy Chief Executive referenced the key actions which had taken place during the life of the Rethinking Waste Project. It had been a very challenging review and lessons required to be learnt which was why his response (detailed on pages 147 and 148 of the document pack) was balanced.

The Deputy Chief Executive appreciated the good work undertaken by the Neighbourhood Services and Enforcement Manager, commenting that the key issues within the programme of work were finely balanced in terms of line management.

The Deputy Chief Executive then summarised in some detail the background to the Project which had been initiated by the former Director of Local Environment; the numerous and significant issues / challenges which had arisen (including Depot improvements, issues around the recruitment of drivers, etc), together with the action taken / work ongoing to address the same.

A substantial proportion of the work had been delivered and the professional ability of the Neighbourhood Services and Enforcement Manager had been of tremendous assistance in keeping the project moving on a day to day basis.

- *A Member sought clarification as to whether the Rethinking Waste Project had followed the normal contractual pattern of a project.*

In response, the Deputy Chief Executive acknowledged that, although key decisions had been taken in accordance with the decision making process, there had been a lack of interaction with the Corporate Programme Board, chaired by the Chief Executive (which oversaw all Council projects).

- *Who served on the Rethinking Waste Project Board; did the Board meet on a regular bi-monthly basis as per the draft Terms of Reference?*

The Deputy Chief Executive replied that the Rethinking Waste Project Board had met when required and comprised – the Environment and Transport Portfolio Holder; the Neighbourhood Services and Enforcement Manager; the Chief Accountant; the Legal Services Manager; the Media and Communications Officer; the Technical Manager and himself.

- *Were there lessons emanating from the Audit which could be learnt by the Senior Management Team in terms of managing future projects?*

The Deputy Chief Executive believed that there was a requirement to look again at the manner by which certain projects were treated, their governance arrangements and relationship with the Corporate Programme Board.

He believed that further training on the Council's Project Management Handbook should be delivered as appropriate.

- *Internal Audit had been unable to confirm the existence of a project risk register for the Rethinking Waste Project.*

The Deputy Chief Executive agreed that the Rethinking Waste Project Board could have provided more evidence around risk management, documentation of which was impacted by the speed of change of the project. At no time was it considered that the Council was being put at risk.

- *Assurance was sought that the ten audit recommendations arising from the audit review would be actioned; and that a follow-up audit would be undertaken in order that the Committee received the necessary assurance. It was also important that the Terms of Reference for future project boards/groups were clearly scoped.*

The Chief Finance Officer confirmed that, as the audit had received a partial assurance opinion, a follow-up audit would be undertaken.

- *Had the reduction in staffing numbers been a contributory factor to the areas for development identified at Section 4.4 of the final audit report?*

In response, the Deputy Chief Executive provided a brief summary of the departmental restructure which had taken place. A feature of the task going forward would be to optimise the allocation of work on the key priorities which the authority wished to achieve, and within the available resources.

Councillor Patrick (Chairman) resumed the Chair.

Audit of Development Management (Reasonable Assurance Opinion)

- *Referring to Audit Finding 5.1.1 – Procedures, a Member remained concerned at the apparent lack of an audit trail regarding systems governing the allocation of new planning enquiries / applications.*

The Member was further concerned that the authority may be open to challenge if validation checklists were not in place.

The Corporate Director of Governance and Regulatory Services reminded Members that the purpose of an audit review was to highlight areas for improvement. Members could take assurance from the management response detailed on page 135 of the document pack.

The Corporate Director further advised that the latter point did not constitute an avenue for challenge, however, incorrect validation of planning applications may provide such an avenue. The proper use of a checklist was the sensible way to provide assurance. The challenge would not be created by the absence of a checklist itself but, rather, by missing something else which need not be missed if a suitable system was in place.

RESOLVED – (1) That Report RD.60/16 be received and the progress made on the 2016/17 Audit Plan (detailed in Section 2 as amended), together with the four audits which would be carried forward for inclusion in the 2017/18 audit plan be noted.

(2) That the Audit Committee was extremely concerned that the records management aspect of the audit on Information Governance had not been progressed; and

- (a) requested that the Senior Management Team take steps to address those concerns, and report back to this Committee providing the necessary level of assurance.
- (b) Internal Audit be requested to give further consideration to the matter and report to the July 2017 meeting in order that Members may take a view on removal of records management from the Annual Governance Statement.

(3) That the Audit Committee received the finalised audit reports referred to in Section 4, subject to the following:

Audit of Rethinking Waste Project Management:

- (a) The Audit Committee had given detailed consideration to the Audit of Rethinking Waste Project Management and was supportive of the recommendations contained within the final audit report.
- (b) It was recommended that the Senior Management Team review the treatment of future projects, with a view to ensuring the establishment of clear governance arrangements; risk management and decision making processes.
- (c) Further training on the Council's Project Management Handbook should be delivered as appropriate.
- (d) In view of the partial assurance opinion, Internal Audit be requested to provide a follow-up audit on Rethinking Waste Project Management in due course.

The meeting adjourned at 12.10 pm and reconvened at 12.16 pm

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

AUC.13/17 TREASURY MANAGEMENT OCTOBER – DECEMBER 2016

The Chief Accountant presented report RD.56/16 providing the regular quarterly report on Treasury Management Transactions for the third quarter of 2016/17.

Members' attention was drawn to Appendix A1 to the report which recorded that the holdings with the Lloyds/Bank of Scotland Group, as at December 2016, stood at £8million, which was in line with the Council's approved counterparty limits for government backed banks (namely the Lloyds/Bank of Scotland Group and the RBS Group). However, the UK Government had been selling their holdings in the Lloyds group on a regular basis, currently standing at approximately 8% and deemed, therefore, as not having a substantial UK government backing (assumed to be 20%). Whilst recognising that the Lloyds/Bank of Scotland Group was still one of the highest UK rated institutions and the investments were secure, the rationale for having an £8million limit with the Group was no longer applicable and for that reason the Council was reducing its holdings. The counterparty limits had been revised, and set at £6million for appropriately rated UK Banks and Building Societies,

within the 2017/18 Treasury Management Strategy which was considered by full Council on 7 February 2017.

The Executive had (on 13 February 2017) received the report, noting the Prudential Indicators as at the end of December 2016 – Minute EX.19/17 referred.

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

A Member commented upon the hard work undertaken by Financial Services which was fantastic in terms of the financial wellbeing of the City. The Chairman echoed those sentiments.

The Chief Accountant undertook to convey Members' comments to the Principal Accountant who had prepared the report.

RESOLVED - That Report RD.56/16 be received and the Prudential Indicators noted as at the end of December 2016.

AUC.14/17 AUDITED ACCOUNTS 2016/17

Pursuant to Minute AUC.73/16, the Chief Finance Officer submitted report RD.62/16 concerning the audited Accounts for 2016/17.

Speaking by way of background, the Chief Finance Officer informed Members that the DCLG's intention to bring forward the date by which accounts must be published would be effective for the 2017/18 accounts, as detailed at Section 1.3.

The City Council had been able to achieve an earlier certification of the draft accounts for both 2014/15 and 2015/16 with dates of 29 May and 7 June respectively, and the intention was to replicate that earlier closedown and certification for the 2016/17 draft accounts. Having a detailed and comprehensive closedown timetable, which was adhered to by an experienced Finance Team led by the Chief Accountant, enabled that earlier deadline to be met.

Approval and publication of the audited accounts had always been achieved in accordance with the statutory deadline of 30 September. However, as discussed at the previous Audit Committee, the aim was to have a full 'dry run' for the Council and the Auditors for the 2016/17 accounts i.e. certification by 31 May and publication by 31 July 2017.

As a result of the earlier closedown, a special meeting of the Audit Committee would require to be convened in order to consider the Audit Findings Report 2016/17; the Statement of Accounts (audited) 2016/17; and the Letter of Representation 2016/17.

The Chief Finance Officer therefore proposed that a special meeting take place on 31 July 2017, which would conclude the Audit Committee's involvement in the 2016/17 Accounts process.

A Member questioned the impact which the earlier closedown would have on the programming of meetings in future years.

In response, the Chief Finance Officer explained that that aspect would be taken into account during preparation of the calendar of meetings.

RESOLVED – That the Audit Committee agreed that, in accordance with paragraph 2.6, a special meeting of the Audit Committee be held at 10.00 am on 31 July 2017 in order to consider the External Audit Findings Report; the audited Statement of Accounts for 2016/17; and the Letter of Representation.

AUC.15/17 RESPONSE FROM THE EXECUTIVE

There was submitted excerpt from the Minutes of the Executive meeting held on 13 February 2017 (EX.20/17) following their consideration of a reference from the Audit Committee concerning the Audit of Carlisle Enterprise Centre. The decision taken was:

“That the Executive thanked the Audit Committee for their consideration of the Audit of Carlisle Enterprise Centre; noting that the Committee was reassured by the overview provided.”

RESOLVED – That the position be noted and received.

[The meeting ended at 12.25 pm]