

AUDIT COMMITTEE

WEDNESDAY 26 SEPTEMBER 2012 AT 1.00 PM

PRESENT: Councillor Ms Patrick (Chairman), Councillors Bowditch, Mrs Bowman, Ms Franklin, Mrs Mallinson and Nedved

ALSO

PRESENT: Ms Jackie Bellard (District Auditor) and Mr Richard McGahon (Audit Manager – Audit Commission)

AUC.47/12 APOLOGY FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Miss Sherriff.

AUC.48/12 DECLARATIONS OF INTEREST

Councillors Nedved and Ms Franklin declared an interest in accordance with the Council's Code of Conduct in respect of Agenda item A.7 – Carlisle Airport: Update. The interest related to the fact that the Councillors are substitute Members on the Development Control Committee.

AUC.49/12 MINUTES

The Minutes of the meeting of the Audit Committee held on 12 July 2012 were submitted.

RESOLVED – That the Minutes of the meeting of the Audit Committee held on 12 July 2012 be agreed as a correct record and signed by the Chairman.

AUC.50/12 MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL

The Minutes of the meeting of the Resources Overview and Scrutiny Panel held on 26 July 2012 were submitted for information.

RESOLVED – That the Minutes of the meeting of the Resources Overview and Scrutiny Panel held on 26 July 2012 be noted and received.

AUC.51/12 FUTURE OF THE AUDIT COMMISSION

Further to her verbal update at the last meeting of the Committee, the District Auditor reported that the Audit Commission had approved and appointed Grant Thornton to undertake the contract for the North West area as from 1 September 2012.

Ms Sarah Howard, Head of Public Sector Assurance, had written to all bodies within the contract explaining the position. She would make contact with the Chief Executive, in addition to which her personal assistant was in the process of arranging meetings with those organisations.

The District Auditor confirmed that both the Audit Manager and herself would remain in post going forward. The only issue related to them gaining an understanding of any differences in Grant Thornton's audit approach, which would be discussed with the Financial Services Manager during November 2012.

RESOLVED – That the Audit Committee:

- (1) welcomed the verbal update provided by the District Auditor; and
- (2) was pleased to note that the District Auditor and Audit Manager would remain, and looked further to receiving further updates in due course.

AUC.52/12 ANNUAL GOVERNANCE REPORT 2011/12

The District Auditor presented the Annual Governance Report summarising the findings from the 2011/12 audit.

The District Auditor highlighted the key messages, commenting that the report included only matters of governance interest that had come to her attention in performing the audit. The audit was not designed to identify all matters that may be of relevance to the Council.

She informed Members that the audit was substantially complete and, subject to satisfactory clearance of outstanding matters, she planned to issue an audit report including an unqualified opinion on the financial statements by Friday 28 September 2012. It was further her intention to issue an unqualified Value for Money conclusion stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. The District Auditor expected to complete the outstanding work and planned to issue her certificate by 28 September 2012.

Members' attention was drawn to the issues that the Committee should consider prior to completion of the audit, namely to:

- take note of the adjustments to the financial statements included in the report (Appendices 2 and 3);

- approve the letter of representation (Appendix 4) on behalf of the Authority before issue of the opinion and conclusion; and
- agree the response to the proposed Action Plan (Appendix 6)

The District Auditor further outlined the significant corrected errors and recommendations (as detailed at page 6 of the report), together with one unadjusted error which management had decided not to amend (Appendix 3), and was satisfied that the year end position was correct. She was impressed with the very detailed work undertaken with regard to the issue of Heritage Assets, commenting that the matter had been dealt with very efficiently. Members were asked to confirm their acceptance of and the reasons for the decision not to adjust the error in the Council's Letter of Representation.

There were no significant weaknesses in internal control that were relevant to preparation of the financial statements.

Referring to the Value for Money conclusion, the District Auditor highlighted her recommendation that the Council should minimise the need to take out short term loans to cover short falls in cash flow and to meet its commitments. She also noted that the Council was prioritising its resources within tighter budgets, for example, by achieving cost reductions and by improving efficiency and productivity.

The Audit Manager (Audit Commission) added that Report RD.28/12 - Treasury Management April – June 2012 showed no short term borrowing required for that quarter. The Audit Manager stated that if short term borrowing was taken out it would be useful for Members for the amount, duration and reasons to be included in the quarterly Treasury Management reports.

He further pointed to one large corrected error CIES 2010/11 – Concessionary Fares (expenditure) in the sum of £2.745 million, informing the Committee that the issue was presentational.

In conclusion, the District Auditor reported that she would complete the audit within the planned fee. She added that the Audit Commission had paid a rebate of £9,354 to reflect attaining internal efficiency savings, reducing the net audit fee payable to the Audit Commission to £107,567.

In response to Members' questions, the Audit Manager (Audit Commission) stated that:

- Page 21 Note 4.3 – was not classed as a material error, it was in fact a disclosure issue
- The most significant issue for many authorities was around the identification / disclosure of Heritage Assets. The District Auditor had already recognised the considerable amount of work undertaken and he had the necessary assurance going forward

In response to a question concerning the need for training to mitigate against errors, the Financial Services Manager confirmed that Officers attended the annual Chief Accountants' workshop and other regular events through out the year. Reference could also be made to the CIPFA Code of Practice and other guidance. She was therefore happy with the position.

The Director of Governance added that the number of errors identified during the audit were minimal in overall terms. The District Auditor was in agreement with that assessment.

A Member moved that the thanks and appreciation of the Committee be conveyed to all staff involved for the considerable amount of work undertaken, which had contributed to what was a very good report.

The Chairman expressed thanks to the District Auditor and Audit Manager for their input.

The Audit Manager (Audit Commission) thanked the Director of Resources, Financial Services Manager, Chief Accountant and their staff.

RESOLVED – (1) That the Audit Committee had considered the Annual Governance Report 2011/12 and was pleased to note that the District Auditor expected to issue an unqualified audit opinion on the financial statements; that the Council had proper arrangements to secure economy, efficiency and effectiveness in the use of its resources; and the District Auditor also planned to issue her Certificate by 28 September 2012.

(2) That the adjustments to the financial statements as set out in the Annual Governance Report be noted.

(3) That the Action Plan as set out in the Annual Governance report be agreed; and the Committee looked forward to receiving progress reports at future meetings.

(4) That the thanks of the Committee be conveyed to all staff involved in the audit for their hard work.

AUC.53/12 LETTER OF REPRESENTATION 2011/12

The Chief Accountant submitted report RD.38/12 attaching a Letter of Representation for 2011/12.

The report recorded that the audit of the Statement of Accounts for 2011/12 was substantially complete with the Auditors' Annual Governance Statement being considered elsewhere on the Agenda. Following approval of that report, the Auditors would issue their formal opinion and the audit process for 2011/12 would be complete.

However, in accordance with Auditing Standards, a Letter of Representation must also be considered and approved by the Audit Committee prior to the Audit Opinion being provided. Once approved it would be signed by the Director of Resources on behalf of the City Council.

It was noted that the effect of the uncorrected financial statements misstatement was not material to the financial statements. The misstatement had been discussed with those charged with governance within the Council. The reasons for not correcting that item were that it was not material; had no impact on Council Tax or General Fund Balance; the value and accounting treatment at 31 March 2012 was correct; and the amount of work involved to make the correction would outweigh the benefit to the reader of the accounts.

RESOLVED – (1) That the Audit Committee approved the Letter of Representation for 2011/12, noting the unadjusted misstatement and the reasons given for not correcting that item.

(2) That the Director of Resources be authorised to sign the same on behalf of the Council.

AUC.54/12 STATEMENT OF ACCOUNTS 2011/12

The Chief Accountant submitted report RD.39/12 concerning the Council's Statement of Accounts 2011/12. Copies of the Accounts, which had been subject to a three month audit process, (commencing July 2012 and with a statutory completion date of 30 September 2012) had been circulated.

He clarified for Members the following minor amendments:

- Page 55 – Table 2 – showed the number and types of asset the Council reported on its balance sheet. 4 Hostels / Home shares were not listed;
- Page 56 – second sentence – should record the fact that T Hargreaves (Hyde Harrington) had also carried out valuations for 2011/12.

He informed Members that the Audit was substantially complete with the Auditor's Annual Governance Report being considered elsewhere on the Agenda. That report provided the Council with an unqualified opinion on both the Accounts and the VFM conclusion. It also detailed any issues found during the course of the audit process, together with any amendments required to the Accounts which must be reported and approved by Members of the Audit Committee.

The Chief Accountant added that there was one material amendment to the Accounts; one unadjusted misstatement; and several other recommendations had been made. The completed Action Plan would be reviewed and monitored closely during 2012/13.

The Committee was asked to approve the 2011/12 Statement of Accounts (subject to the verbal amendments), noting that also included the Annual Governance Statement.

RESOLVED – That the Audit Committee approved the 2011/12 Statement of Accounts (subject to correction of the amendments detailed above), noting that also included the Annual Governance Statement.

The District Auditor and Audit Manager (Audit Commission) left the meeting.

The meeting adjourned at 1.30 pm and reconvened at 1.33 pm

AUC.55/12 LOCAL AUDIT BILL AND OTHER CONSULTATIONS

The Financial Services Manager submitted report RD.40/12 updating Members on a number of consultations taking place over the summer period.

The Financial Services Manager reminded Members that the Committee had, on 5 July 2011, considered the Government's proposals for changes to Local Public Audit, with a joint response from the District Council Chief Executive Network and the Society of District Council Treasurers having been sent to the DCLG. She added that the Government had published its Local Audit Bill in early summer 2012 and invited responses to consultation on the draft Bill by 31 August 2012.

The Shared Internal Audit Service considered the consultation document in order that a response could be prepared from the County Council; Carlisle City Council; Copeland Borough Council; and the Policy Authority.

The Financial Services Manager explained that the major issue related to the proposal to establish an Audit Panel to advise on the appointment of the external auditor. The Bill would allow for existing Audit Committees to undertake the role of the Audit Panel. However, many existing Audit Committees would not be able to perform that role without changing their membership as the Bill set out a requirement for an independent Chair and a majority of independent Members for Audit Panels. She added that the response highlighted the good work of existing Audit Committees and the possible duplications between existing Committees and new Audit Panels since the Bill allowed for Audit Panels to undertake other functions which may currently be undertaken by existing Audit Committees.

The response welcomed the National Audit Office's establishment of a local government reference panel; cautioned against rapid growth in National Audit Office work in that area, but fully recognised the valuable role the National Audit Office had to play in improving value for money.

The Financial Services Manager drew attention to the copy response submitted by the Shared Internal Audit Service on behalf of participants in the shared service attached at Appendix 1 to the report. It would be necessary to await the outcome of the consultation and report further to the Committee at a future meeting.

A Member was saddened to note the requirements of the Bill in terms of independence, commenting that the Audit Committee had always been independent in nature. He moved that the Committee support the views expressed in the report.

The Chairman was pleased that the views expressed by the Committee at their meeting on 5 July 2011 (Minute AUC.41/11) concerning proposals for changes to Local Public Audit, together with the joint response from the District Council Chief Executive Network and the Society of District Council Treasurers had been sent to the DCLG at that time.

The Financial Services Manager then briefed the Committee on the current position with regard to the following ongoing consultations:

- UK Public Sector Internal Audit Standards (CIPFA – 14 September 2012 closing date)

The Chartered Institute of Public Finance had issued draft proposals on public sector internal audit standards.

The Audit Manager (Carlisle City) advised that, whilst the draft included some references to internal audit's need to add value, the focus was very much on provision of assurance on governance, risk management and control. Where value added was mentioned it was in terms of providing objective and relevant assurance and contributing to the effectiveness and efficiency of governance, risk management and control. The draft could be strengthened by including more explicit references to internal audit's role in improving value for money.

The Financial Services Manager said that the draft included references to 'Chief Audit Executive' rather than 'Head of Internal Audit' which was the subject of a CIPFA Statement in 2010.

- Delivering Good Governance in Local Government (CIPFA – 21 September 2012 closing date)

CIPFA and SOLACE had issued a consultation draft proposing an addendum to the delivering good governance in local government framework. The draft included a revised governance framework which recognised the shifting patterns of service delivery, through partnerships, collaboration and commissioning, and the establishment of shared services and partnership boards. A skeleton Annual Governance Statement was also provided. Governance remained broadly drawn, including explicit references to ensuring best use of resources and value for money.

The Shared Internal Audit Service had considered the drafts and responses would be submitted on behalf of participants in the shared service.

RESOLVED – That the Council's response as to the Local Audit Bill consultation; and the ongoing consultation with CIPFA on internal audit standards and the Annual Governance Statement be noted and endorsed.

AUC.56/12 CARLISLE AIRPORT : UPDATE

Councillor Nedved, having declared an interest, took part in discussion on this item of business.

Councillor Ms Franklin, having declared an interest, made no comment on the matter.

Pursuant to Minute AUC.44/12, the Director of Governance submitted a concluding report (GD.49/12) in relation to the Carlisle Airport Action Plan. Attached, for Members' information, was report GD.06/12 previously considered by the Committee on 13 January 2012. He further referred Members to Minute AUC.44/12 commenting that, when taken in combination, those documents demonstrated that the actions had all been successfully implemented.

The Director of Governance reminded Members that they had asked for an update on the Action Plan with specific regard to large planning applications.

The Director of Economic Development reported that, although the Council received relatively few major applications (24 last year i.e. approximately 2% of the total), those extremely complex applications took up a large amount of Officer time and resources. The format of the reports was the same, but due to the complexity the reports were longer.

The actions within the Action Plan also applied to larger applications. However, in order to ensure that Members of the Development Control Committee were fully informed of the issues, briefing sessions were arranged where appropriate. All Members were invited to those briefing sessions, which were attended by the Case Officer and herself, together with a legal advisor if appropriate.

Members had the opportunity to ask questions and ensure that they had all the information they needed to make an informed decision. That briefing session was of particular relevance to Actions 1, 3, 8 and 10 in the Action Plan.

In conclusion, the Director of Governance expressed the hope that Members would now be satisfied that the actions contained within the Action Plan had been successfully implemented.

In considering the matter, a Member emphasised the need to ensure that a clear audit trail was in place going forward in the event of challenge. To that end she believed that the Action Plan should include a target implementation date column. With reference to recommendations 1 and 4, the Member further stressed the need to ensure that evidence was on file to show that regular briefings with Members (to ensure improved decision making) were taking place; and that legal advice was properly recorded and documented. It was accepted that certain legal advice may be sensitive or privileged in nature and would not be open to public disclosure.

Other Members indicated their agreement with those sentiments, suggesting that the issue could perhaps also be picked up as part of data quality / reviewed on an annual basis.

The Director of Governance and Director of Economic Development then responded to Members' questions in respect of the above.

Referring to recommendation 7, Members asked how many Members were in attendance at training sessions.

The Director of Economic Development explained the programme of training currently available, of which Members were well aware. Although attendance varied, she concluded that the attendance rate was around 75% and she was generally pleased with the uptake.

The Director of Governance pointed out that, as well as the additional training sessions provided, all Members / substitutes undertook a mandatory training course prior to sitting on the Development Control Committee. He gave an assurance that the adopted actions within the Action Plan were embedded in working practices and would not be shelved.

The Audit Manager (Carlisle City) said that Members could gain added assurance from audit reviews.

The Director of Governance concluded by thanking Members for their deliberations which had been of great benefit.

RESOLVED – (1) That the Audit Committee noted the content of Report GD.49/12 and recorded its satisfaction that the actions contained within the Action Plan had been successfully implemented, subject to the proviso that a clear audit trail was put in place as detailed above.

(2) That the Executive be informed that the Carlisle Airport Action Plan had been implemented to the satisfaction of the Audit Committee; and the Committee would no longer monitor the matter.

AUC.57/12 INTERNAL AUDIT PROGRESS REPORT

The Audit Manager (Carlisle City) submitted report RD.37/12 summarising the work carried out by Audit Services since the previous report to Committee on 12 July 2012 and detailing progress made on delivery of the approved Audit Plan in the second monitoring period of 2012/13.

The current position of the Plan was illustrated at Appendix A for Members' assistance.

She outlined the key points which were:

- The Plan called for 540 direct audit days to be delivered in 2012/13. Good progress had been made and up to the week ending 31 August 2012 268 direct audit days (47.9%) had been delivered which was ahead of target for this time of the year.
- The issue of audit reports tended to be back loaded into the final six months of the year due to the timescales required to bring audit reports to final stage and because the main financial system reviews were not commenced until quarters 3 and 4.
- Investigatory work in the first half of the year had some impact on planned work.
- Contingency included time spent finalising ongoing work carried forward from 2011/12 and other audit time provided to meet unplanned work involving 'hot assurance' and other guidance and support as required.
- Members were asked to consider / approve changes to planned audits as set out at Section 3 of the report.

The Audit Manager explained that the Audit Plan should be able to demonstrate a degree of flexibility to accommodate unplanned audit requirements which may arise during the course of the year. It was important that any necessary changes were reported to and approved by the Audit Committee, to ensure the ongoing accuracy and consistency of performance monitoring information presented in Appendix A. These changes had already been considered by the Director of Resources. There were three proposed changes to the Audit Plan – the overall audit days remained at 540 days.

In response to questions, the Audit Manager (Carlisle City) advised that planned audit time in Community Engagement totalling 20 days, had been redirected to accommodate some unplanned work which had arisen, the outcome of which would be brought to the Committee.

Referring to Performance Measurement, the Audit Manager (Carlisle City) explained that arrangements to measure Carlisle City's client satisfaction with the Shared Internal Audit Service had now been introduced. A copy of the Audit Evaluation Form, which was being sent out with all final audit reports, was attached at Appendix B. The evaluation of client satisfaction results would be an important measure to support the annual assessment on the effectiveness of Internal Audit. She would monitor closely feedback received

and report to the Audit Committee accordingly. Members were asked to note the use of the new Audit Evaluation Form.

The Audit Manager (Carlisle City) highlighted the requirement under the Accounts and Audit Regulations (England) 2011 to maintain an adequate and effective system of internal audit of the Council's accounting records and of its system of internal control. The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice for Internal Audit in Local Government in the UK 2006 required that the Head of Internal Audit provide a formal annual report to support the Annual Governance Statement. To assist with that requirement, each audit review was provided with an assurance rating on its conclusion.

Details of the current categorisation of the assurance levels, together with the proposed changes to the "restricted" and "none" assurance levels were provided. Members were asked to consider / approve those changes.

There were no issues concerning follow up reviews which needed to be brought to Members' attention at this time.

Turning to the review of completed audit work, the Audit Manager (Carlisle City) reported that guidance on the grading of audit recommendations; the audit follow up procedure and audit assurance ratings was attached at Appendix C.

The Audit Manager (Carlisle City) then outlined in some detail the content and ratings attached to the audit reports in respect of IT Strategy; CCTV; Management Development; Early Retirement and Redundancy; and Gifts and Hospitality. Copies were appended to the report.

The Audit Manager (Carlisle City) focussed in the main upon the Audit of Data Quality and Records Management and, in particular, records Management Arrangements which provided restricted assurance. She explained that there were no overall records management arrangements at corporate level; no overarching strategies or policies to govern the management of records; and systems of records management were localised. The guidance provided in the Council's Constitution was not considered sufficient for purpose. That was no longer acceptable and should be addressed as a matter of some urgency.

She stressed that compliance with the two major regulatory frameworks for the management of records and also the requirements of the Data Protection Acts should be considered in detail and appropriate resources and guidance made available on a corporate basis.

In conclusion, the Audit Manager requested that Members receive the report and note progress against the agreed 2012/13 Audit Plan.

The Committee gave in depth consideration to the completed audits, raising the following issues:

Audit of IT Strategy

A Member noted from the key findings that the new Strategic Plan could be enhanced by including and/or placing greater emphasis on the alignment of objectives with those of each Council and their services, statistics on importance of ICT, potential savings and clear route maps to achieve targets and objectives. She questioned whether regard was being taken of the City Council's Corporate Plan and partnership plans. The Member was concerned that the Strategy reflected the budget for the coming year and that the Portfolio Holder was engaged in the process. An Equality Impact Assessment was also required.

In response, the Audit Manager (Carlisle City) explained that the scope of the audit was very clear, and the audit had concluded that Reasonable assurance was appropriate. A detailed follow up would only be provided if a problem arose.

The Director of Governance added that the Portfolio Holders had been involved during the establishment of the ICT Shared Service.

Audit of CCTV

Referring to Recommendation R1, a Member said that policies and procedures should also be accessible to new starters as part of the induction process.

The Audit Manager (Carlisle City) acknowledged that to be a fair point. She added that an Officer had already been appointed to undertake performance monitoring.

Audit of Management Development

A Member referred to Recommendations R4 (the Council's financial regulations are not complied with) and R5 (key information is not recorded which could be crucial in the event of a query or appeal), noting that the agreed actions were not scheduled to be actioned until 1 October 2012. She said that Members should be provided with a briefing note in order that they could be assured that the actions had been undertaken.

In response, the Audit Manager (Carlisle City) advised that Recommendations R2 – R5 concerned improvements to hard copy files and were designed to provide an audit trail.

A Member noted that Recommendation R1 recorded that accuracy and completeness of planning fees could not be provided. She queried how long the situation may have continued had the audit not been undertaken.

The Audit Manager (Carlisle City) explained that procedures had been in place. The issue arose as a result of a structural change within the Department; those arrangements were in place for a short time before being highlighted by Audit and the recommendation made to address the issue and the control reinstated.

Audit of Data Quality and Records Management

A Member considered the situation with regard to records management arrangements to be quite depressing.

Another Member expressed concern, believing that ownership of the issues identified under the audit should lie with the Senior Management Team, rather than the Policy and Communications Manager.

Referring to Recommendation R4, the Member asked whether the reference to the "Cumbria Strategic Partnership" would be amended as this may no longer be relevant. She further questioned how the Key Action Red, Amber, Green (RAG) ratings would be monitored.

The Audit Manager (Carlisle City) advised that she needed to discuss those aspects with the Policy and Communications Manager.

With reference to Recommendation R10, the Member questioned why the Data Quality standards were not defined and ownership was not recognised. She considered that should be embedded in Departmental Service Plans and reinforced as part of staff appraisals.

The Audit Manager (Carlisle City) agreed, commenting that the issues at Recommendations R7 and R10 should also feature in specific job descriptions.

The Member referred to Recommendation R12 noting the differential between the homelessness statistics input into the Homelessness database and the final CLG P1E return.

She believed that Recommendation R14 applied to all staff; that a Records Management Policy must be put in place as soon as possible; and that someone must take responsibility to ensure that a designated Officer was given responsibility for managing records and providing guidance (Recommendation R15).

The Member added that the issues identified should be drawn to the attention of the Executive and Senior Management Team.

The Financial Services Manager advised that as a restricted assurance, the Deputy Chief Executive would raise the matter with the Senior Management Team.

Another Member stressed the need to ensure that Partnership Protocols were complied with.

He asked when the Audit of Data Quality and Records Management had last been undertaken.

The Audit Manager (Carlisle City) indicated that this was the first audit but, due to the Restricted assurance level, a detailed follow up would be undertaken next year. The issue had not featured within the Audit Plan until now. She could arrange to provide a follow up to the January 2013 meeting of the Committee.

The Director of Governance suggested that the issue of data security could also be taken into account as part of the audit.

A Member added that data protection was also an issue.

The Audit Manager (Carlisle City) replied that the audit was about ensuring that the Council had good, clean, reliable data. Security was a separate issue.

A Member noted that in some instances Officers were named, whilst in others post titles were recorded within the report. She wished to see greater consistency in future.

A Member questioned the methodology in place whereby failure / incompetence by individuals in terms of performance would be picked up.

The Director of Governance said that no indication of such failure had been identified to date; but it would be a matter for Managers to address.

Audit of Early Retirement and Redundancy

A Member was concerned to note that at Recommendation 3 documentation was being removed from files and randomly put together wrapped by an elastic band. The Audit Manager replied that recommendations 3 and 4 concerned improvements to record keeping and presentation of information ensuring that was more transparent.

In response to a question, the Audit Manager (Carlisle City) outlined the sample testing undertaken during the audit. She advised that no issues had arisen in terms of the accuracy of calculations.

Audit of Gifts and Hospitality

As a former Mayor of the City a Member expressed surprise with regard to Recommendation 5, commenting that she was unaware that there was an issue around declaring / recording gifts received by The Mayor.

The Audit Manager (Carlisle City) replied that there were separate arrangements in place for recording hospitality received by The Mayor. She would investigate any separate arrangements for recording gifts further.

Another Member suggested that take up on awareness training for Members may be greater if sessions were tailored around their availability.

The Director of Governance said that, although a great deal of training was provided, Officers would arrange additional training as required. By way of assistance training sessions had been undertaken in the evening / Saturday mornings, but take up by Members had been limited. E-learning may assist.

RESOLVED – (1) That report RD.37/12 be received and progress made towards completion of the 2012/13 Audit Plan, for the second quarter period (as illustrated in Appendix A), be noted.

(2) That the Audit Committee approved the changes to the 2012/13 Audit Plan as detailed in Section 3.

(3) That the new Audit Evaluation Form, attached as Appendix B, be noted.

(4) That the changes to the audit assurance levels, detailed in Section 5, be approved.

(5) That the Audit Committee received the completed audit reports attached as Appendices D to I of the report, subject to the following concerns which should be drawn to the attention of the Executive and Senior Management Team:

- Audit of IT Strategy – the Committee wished to raise Portfolio Holder awareness of the implications of the ICT Strategy on the Corporate Plan, Budget and objectives of the two Councils. Members believed that an Equality Impact Assessment should also be undertaken.
- Audit of Data Quality and Records Management –
 - (i) the Committee was concerned at the ‘restricted’ rating attributed to the Audit of Records Management and that there were no overall records management arrangements at corporate level; would like to see development of a draft Records Management Policy by December 2012, for submission to this Committee at their January 2013 meeting (R14); and
 - (ii) The implementation date of 31 March 2012 by which a designated Officer would be given responsibility for managing records and providing guidance was inadequate; the Committee recommended that a Senior Officer take immediate responsibility.

AUC.58/12 TREASURY MANAGEMENT APRIL – JUNE 2012

The Chief Accountant submitted report RD.28/12 providing the regular quarterly summary of Treasury Management transactions for the first quarter of 2012/13, including the requirements of the Prudential Code.

He outlined the outstanding investments as set out in Appendix A3 in some detail and explained the colour coding system used by Sector, the Council's Treasury Advisors. He reported that 11% of investments were coded yellow which meant that investments were recommended up to 5 years and deemed the safest investments. 75% of investments were blue coded which equated to a recommended investment up to 1 year and were still considered a safe investment.

The Chief Accountant informed Members that the 'normal' risk score for investments was 3.5 and the Council's weighted average risk was at 3.3 which had reduced from 5.2.

In response to a question concerning short term borrowing, the Chief Accountant explained that the Treasury Management Strategy Statement allowed Officers to undertake day to day cash management. Narrative could be included in future Treasury Management reports.

The City of Carlisle Stock Issue (£15 million) was due to mature in 2020, at which time it would be necessary to reschedule or repay the loan.

RESOLVED - That Report RD.28/12 be received and the good progress in terms of returns on monies invested be noted.

AUC.59/12 CORPORATE RISK MANAGEMENT

The Deputy Chief Executive submitted report SD.07/12 providing an update on the Council's risk management arrangements. The report contained the Risk Register presented to the Resources Overview and Scrutiny Panel on 26 July 2012.

The Corporate Risk Register had been reviewed by the Senior Management Team (SMT) and the Corporate Risk Management Group. During the last quarter the Current Action Status / Control Strategy sections had been addressed, and the scoring of certain risks amended accordingly.

The Deputy Chief Executive outlined in turn each of the risks set out in Appendix A to the report.

A number of risks had been reduced through successful mitigation action and had therefore been removed. They would, however, continue to be monitored by SMT during 2012/13. SMT would also be conducting an annual review of the corporate risks during September to identify any new / emerging risks, and those would be incorporated into the Corporate Risk Register.

The Deputy Chief Executive reminded Members that, as previously reported to the Committee (Minute AUC.32/12), Travelers (the Council's insurance company) had carried out a risk management health check in April 2011. Six non-mandatory issues had been identified during the assessment and recommendations made. Whilst none of the recommendations were mandatory, implementation thereof was considered good practice and may help the Council defend potential claims. The Action Plan put in place to address the issues raised was now nearly complete and was detailed at Appendix B.

Travelers were providing a number of training days on insurance related issues. A liability workshop for Managers had taken place on 19 June 2012 and details of the main messages arising from the workshop were provided.

A liability work programme / action plan was currently being put together to progress the issues, and would be taken to the Corporate Risk Management Group in September.

The Deputy Chief Executive added that further insurance workshops would be held. Events Insurance workshops had taken place on 18 September 2012 for those Officers involved in organising events and for Members.

A Member noted that, aligned to the corporate risk related to the implementation of Council Tax support, there was a corporate risk to managing the financial implications of the new system. She questioned whether the costs around the localisation of Council Tax had been identified as a budget pressure.

Another Member sought clarification of the reason for the wide ranging estimated impact of the changes (between £120k and £190k).

In response, the Financial Services Manager indicated that the financial implications would be subject to a new budget pressure for 2013/14. On the second point, she explained that work had been undertaken by an external company and significant assumptions had been made; hence the wide ranging estimates. She further added that officers were looking at the council tax technical reforms in order to achieve savings and to mitigate the cost of implementing the new Council Tax support scheme.

A Member also noted that a number of risks were to be removed from the Corporate Risk Register but monitored at operational level. She raised the following points:

- Redundancy payment provision - clarification of the position should redundancies be required as part of the budgetary process.

The Deputy Chief Executive replied that reserves had been topped up by £250k as part of the year end accounts, so there was likely to be sufficient funds to meet redundancy costs in 2012/13. The matter would be open to comment as part of next year's budget process.

- Vision for the City – was it premature to remove the risk, bearing in mind the current economic climate / ongoing joint working with partners?

The Deputy Chief Executive acknowledged that, although the risk would continue to be monitored in Economic Development, it may arise again at some point in the future.

- National Non Domestic Rates – the settlement for Cumbria in terms of locally-based business rates was unknown

Speaking from a strategic point of view, the Member recommended that the Committee be kept informed on the position with regard to the vision for the City.

Turning to Appendix B, the Member noted that there was no reference to the use of mobile phones which she considered to be a risk.

The Deputy Chief Executive stated that the Council was being as vigilant and direct as possible in terms of the use of mobile phones.

A Member had attended the Events Insurance workshop on 18 September 2012, but did not believe that had included advice on how the Council's insurance cover responded to occasions when Members carried out official duties.

The Financial Services Manager said that issue had been included on the draft agenda for the workshop. However, it was hoped that all issues arising from the workshops (and the health check) could be combined into one Action Plan to improve procedures and used to identify and inform future training events.

RESOLVED – (1) That the Audit Committee had considered and noted the content of Report SD.07/12 as an indication of the continuing commitment to sound governance arrangements for corporate risk management.

(2) That the Deputy Chief Executive be requested to provide an update on the Vision for the City / Carlisle Economic Partnership to a future meeting of the Committee.

[The meeting ended at 3.35 pm]