

AGENDA

Audit Committee

Monday, 15 April 2013 AT 10:00

In the Flensburg Room, Civic Centre, Carlisle, CA3 8QG

A private preparatory / briefing meeting for Members of the Committee will be held at 9.30 am 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 item 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.

MINUTES

5 - 20

To approve and sign the Minutes of the meeting held on 11 January 2013
(Copy Minutes in Minute Book Volume 39(5) / herewith)

PART A

To be considered when the Public and Press are present

- A.1 MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL** **21 -
38**
- The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 3 January and 21 February 2013 are submitted for information.
(Copy Minutes herewith)
- A.2 CERTIFICATION WORK REPORT 2011-12** **39 -
48**
- The Director of Grant Thornton to present their annual Certification Work Report.
(Copy Report herewith)
- A.3 GRANT THORNTON - AUDIT COMMITTEE UPDATE** **49 -
60**
- The Director of Grant Thornton to present their report on progress on the 2012/13 audit and summary of emerging and national developments relevant to local government.
(Copy Report herewith)
- A.4 AUDIT COMMITTEE'S ANNUAL REPORT** **61 -
76**
- The Chairman of the Audit Committee to submit a report summarising the work undertaken by the Audit Committee during the past year.
(Copy Report RD.04/13 herewith)
- A.5 STRATEGIC AUDIT PLAN AND AUDIT PLAN FOR 2013-14** **77 -
86**
- The Director of Resources to submit a report providing details of the updated Strategic Audit Plan and the proposed Audit Plan for 2013/14.
(Copy Report RD.06/13 herewith)
- A.6 AUDIT SERVICES PROGRESS REPORT 2012-13 (No. 4)** **87 -
202**
- The Director of Resources to submit a report summarising the work carried out by Audit Services since the previous report to the Committee on 11 January 2013.
(Copy Report RD.05/13 and Minute Extract ROSP.09/13 - Review of Partnerships 2011/12 herewith)

A.7 TREASURY MANAGEMENT OCTOBER - DECEMBER 2012

**203 -
218**

The Director of Resources to submit a report providing the regular quarterly summary of Treasury Management Transactions.

(Copy Report RD.76/12 and Minute Extract herewith)

PART B

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

**Enquiries, requests for reports, background papers, etc to Lead Committee
Clerk: Morag Durham – 817036**

MINUTES OF PREVIOUS MEETING

AUDIT COMMITTEE

FRIDAY 11 JANUARY 2013 AT 10.00 AM

PRESENT: Councillors Bowditch, Mrs Bowman (until 11.15 am), Ms Franklin, Mrs Mallinson, Nedved and Miss Sheriff

OFFICERS: Deputy Chief Executive
Director of Governance
Financial Services Manager
Audit Manager
Policy and Communications Manager

ALSO

PRESENT: Ms Jackie Bellard (Director, Grant Thornton); and Mr Richard McGahon (Manager, Grant Thornton)

AUC.01/13 APOLOGY FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Ms Patrick (Chairman).

In the absence of the Chairman, the Vice Chairman took the Chair

AUC.02/13 DECLARATIONS OF INTEREST

Councillor Mrs Mallinson declared an interest in accordance with the Council's Code of Conduct in respect of Agenda item A.8 – Internal Audit Progress Report : Audit of Highways Claimed Rights because she is also a Member of Cumbria County Council.

Councillors Ms Franklin, Miss Sherriff and Nedved declared an interest in accordance with the Council's Code of Conduct in respect of Agenda item A.2(a) – Response from the Executive - Carlisle Airport : Update. The Councillors stated that they served as substitute Members on the Development Control Committee.

AUC.03/13 MINUTES

The Minutes of the meeting of the Audit Committee held on 26 September 2012 were submitted.

RESOLVED – That the Minutes of the meeting of the Audit Committee held on 26 September 2012 be agreed as a correct record and signed by the Chairman.

AUC.04/13 MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL

The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 30 August, 18 October and 4 December 2012 were submitted for information.

RESOLVED – That the Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 30 August, 18 October and 4 December 2012 be noted and received.

AUC.05/13 RESPONSES FROM THE EXECUTIVE

There were submitted Excerpts from the Minutes of the Executive meeting held on 29 October 2012 setting out their response to references from this Committee concerning:

(a) EX.126/12 : Carlisle Airport – Update

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

Councillors Ms Franklin and Miss Sherriff, having declared an interest, made no comment.

The Executive had given consideration to Minute Excerpt AUC.126/12, and noted that the Carlisle Airport Action Plan had been implemented to the satisfaction of the Audit Committee; and that the Committee would no longer monitor the position.

(b) EX.127/12 : Internal Audit Progress Report

The Executive had considered Minute Excerpt AUC.57/12 and, in response, noted the concerns expressed by the Audit Committee as detailed at Recommendation (5) of the Minute.

The Audit Manager (Carlisle City) responded to Members' questions concerning monitoring of the Audits of IT Strategy; and Data Quality and Records Management.

RESOLVED – That the decisions of the Executive, as set out above, be received.

AUC.06/13 ANNUAL AUDIT LETTER 2011/12

The Financial Services Manager presented, for information, the Audit Practice's Annual Audit Letter for the City Council, the purpose of which was to summarise the findings from the 2011/12 audit.

The Financial Services Manager reminded Members that the District Auditor had, on 26 September 2012, presented her Annual Governance Report, outlining the findings of her audit of the Authority's 2011/12 financial statements. The financial statements were produced and submitted for audit on time and were supported by good quality working papers. The District Auditor's work had identified one material

error in the Council's 2011/12 financial statements, relating to the netting off of cash and cash equivalent assets and liabilities in the balance sheet. A number of other audit adjustments had been required to the notes to the Accounts to ensure compliance with the CIPFA / LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Subsequently, the District Auditor had:

- Issued an unqualified opinion on the Authority's 2011/12 financial statements included in the Authority's Statement of Accounts;
- Concluded that the City Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources; and
- Certified completion of the audit.

As part of her closing remarks the District Auditor had thanked the finance staff for their positive and constructive approach taken to the audit during what had been another challenging year for the authority. She also wished to thank senior management and the Audit Committee for their support and co-operation during the audit.

In response to a question, the Director (Grant Thornton) indicated that the Annual Audit Letter should be placed on the Council website.

RESOLVED – (1) That the Committee welcomed submission of the Annual Audit Letter for 2011/12 and were pleased to note that the District Auditor had on 28 September 2012 issued an unqualified opinion and certificate on the financial statements and also an unqualified value for money conclusion, stating that the Council had proper arrangements to secure economy, efficiency and effectiveness in its use of resources for 2011/12.

(2) That the Annual Audit Letter 2011/12 be placed on the City Council's website.

AUC.07/13 GRANT THORNTON – AUDIT FEE LETTER 2012/13

The Director (Grant Thornton) presented the Audit fee letter for 2012/13.

The Director informed Members that both the Manager (Grant Thornton) and herself were delighted to have been appointed by the Audit Commission as auditors to the Council, and looked forward to providing the authority with a high quality external audit service for at least the next five years.

The Audit Commission had set its proposed work programme and scales of fees for 2012/13; and the Director outlined details of the audit fee for the Council, along with the scope and timing of the work, Value for Money conclusion and details of their Team.

The Director (Grant Thornton) added that the Head of Public Sector Assurance of Grant Thornton would shortly be meeting with the Council's Town Clerk and Chief Executive and the Financial Services Manager.

In considering the Audit Fee Letter, a Member asked whether greater reliance would in future be placed upon the work of Internal Audit.

The Director (Grant Thornton) explained that, although some assurance could be taken from the specific detail of the work undertaken by Internal Audit, it was also necessary for her audit team to undertake their own work to obtain sufficient assurance.

The Manager (Grant Thornton) stated that the requirements placed on the Director and himself as external auditors remained unchanged. In terms of audit approach, the only change might be the emphasis on different audit risks. One area from which assurance could always be taken on internal audit related to the Annual Governance Statement and the Chief Internal Auditor's opinion on internal control.

A Member noted that the Audit Commission set the scale fee for 2012/13. She questioned whether the 40% reduction would apply to the coming five year period.

The Director (Grant Thornton) confirmed that was correct.

RESOLVED – That the Audit Committee noted the Audit fee letter for 2012/13 and welcomed the good relationship between the Auditors and the City Council.

AUC.08/13 DRAFT LOCAL PUBLIC AUDIT BILL

The Financial Services Manager reported that the Department for Communities and Local Government had, on 6 July 2012, published the draft Local Audit Bill for consultation. The draft Bill set out the Government's proposals for a new local audit framework for public bodies, including the appointment of their auditors.

The consultation invited responses to 26 questions, 15 of which related to specific provisions or policy proposals set out in clauses of the draft Bill; the remainder of the questions inviting general comments on each part of the Bill. Details of the key areas of discussion during the consultation were provided.

162 organisations and individuals had responded to the consultation; the majority (74%) being audited bodies. For 14 out of the 15 specific questions, the majority of respondents endorsed the proposals set out in the draft Bill. The one exception related to the proposed requirement for local bodies to take advice from a majority independent auditor panel when appointing their external auditor. That was also a major issue for the Audit Committee and was reflected in the consultation response made by the Shared Internal Audit Service on behalf of all participants.

The Department reported that it would develop additional guidance on how panels would operate in practice and work with the sector to address the concerns raised in the consultation process. Following receipt of that guidance a further report would be brought before the Audit Committee.

The Financial Services Manager informed Members that the consultation period had closed on 31 August 2012, and the Department for Communities and Local Government had published a summary of the responses received.

She added that the Government intended to consider the responses alongside the recommendation of the ad-hoc Committee set up to undertake the pre-legislative scrutiny of the draft Bill in autumn 2012. The report also set out the Government's intention to close the Audit Commission by 2015 and to develop more detailed proposals for the handover of contracts.

In conclusion, the Financial Services Manager asked that Members note the Government's response to the consultation.

A Member noted that there was agreement that the impact assessment had identified the key components of audit fees in the new framework, but that some respondents had commented that it was difficult to estimate precisely the costs and benefits of the new framework. She felt that it would be interesting for the Committee to receive details thereof as part of the future report referred to above.

RESOLVED – That the Audit Committee noted:

(a) the Government's response to consultation on the draft Local Public Audit Bill, as detailed within Report RD.70/12; and

(b) that the Director of Resources would report further following publication of the guidance on how Independent Auditor Panels would operate in practice (that report to include details of the key components of audit fees in the new framework).

AUC.09/13 SHARED INTERNAL AUDIT SERVICE: GOVERNANCE UPDATE

The Financial Services Manager submitted report RD.71/12 providing an update on the governance arrangements relating to the Shared Internal Audit Service.

The Financial Services Manager outlined the background to the matter, reminding Members that the Shared Internal Audit Service had been in operation since December 2010 and comprised of four participant organisations (Cumbria County Council, as host organisation; Carlisle City Council; Copeland Borough Council; and Cumbria Police Authority (now the Office of the Police and Crime Commissioner)). In addition, internal audit services were provided to the Lake District National Park under contract.

The governance structure included a Strategic Board, the Terms of Reference in relation to which were attached at Appendix 1. The Strategic Board had met in November 2012 and the notes of that meeting could be found at Appendix 2. In addition, an Operations Board comprising S151 Officers or their representatives met quarterly to review progress. The Operations Board had met regularly throughout 2012.

Whilst formal governance was provided through the Strategic and Operations Boards, for all participants the focus for operational effectiveness was the relationship between the Member of the Shared Internal Audit Service providing the head of audit function and the Audit Chair and S151 Officer. For the Shared Service prime responsibility for those relationships rested with Audit Managers and the Head of Audit. Regular meetings to discuss audit progress, emerging risks and issues, and

possible changes to the Audit Plan were essential and feedback from participants was that the services provided were fully satisfactory.

The Financial Services Manager advised that, whilst the day to day operations were proving effective across the Shared Service, there remained a need to ensure that the formal governance arrangements were also functioning, with engagement from participants. Her report was therefore submitted with a view to drawing attention to the formal and operational aspects of the governance arrangements; and also would be presented to the various Shared Service Audit Committees.

A Member noted that the Audit Shared Service Strategic Board meeting held on 21 November 2012 had not been quorate. Another Member was concerned that the governance rules had not been followed as far as achieving a quorum was concerned.

The Financial Services Manager replied that it was disappointing since a number of dates had been put forward for the meeting.

The Vice Chairman added that, although a quorum had not been achieved, it was decided that the meeting would continue; it being acknowledged that any decisions would have to be confirmed at a future meeting of the Strategic Board. He added that Chairmanship of the meeting would rotate annually, commencing with Carlisle in year 1.

The Director of Governance confirmed that the matters discussed and agreed upon at the informal meeting would be reported to the next Strategic Board for confirmation and therefore effectively no business had been transacted.

RESOLVED – That the content of report RD.71/12 be noted.

AUC.10/13 2012/13 FINAL ACCOUNTS PROCESS

The Financial Services Manger submitted report RD.65/12 providing information regarding the 2012/13 Final Accounts process.

She reminded Members that under the Accounts and Audit Regulations 2011 the City Council's Statement of Accounts for 2012/13 required to be submitted to a relevant body of the Council (Grant Thornton) for approval by 30 September 2013. Prior to approval the Section 151 Officer would be required to sign off the Accounts by 30 June 2013.

The Financial Services Manager outlined the final accounts process which, in order to meet the prescribed deadlines, commenced in January with the production of an internal timetable for the completion of the various tasks involved. The timetable was monitored by Financial Services Officers and progress reported to the Senior Management Team throughout the final accounts process since it was essential that a corporate approach be taken to achieve a set of Accounts which gave a true and fair view of the financial position of the authority.

The 2011/12 Annual Governance Report considered by the Committee on 26 September 2012 acknowledged continuing significant improvements in the final accounts process compared to previous years. However, it also set out six recommendations, details of which were provided.

The Financial Services Manager reminded Members that the previous Code of Practice (2011) introduced significant changes to the way authorities had to prepare their Accounts, the main change for 2011/12 being the requirement to recognise all of the Council's Heritage Assets on the balance sheet. For 2012/13 there were no significant changes and the Code gave greater emphasis on clarifying some of the issues that had arisen in previous years.

The existing Statement of Accounting Policies had been reviewed to reflect the changes in the 2012 Code of Practice and also to provide further explanation of other existing policies (Appendix A). Members were asked to consider the accounting policies as outlined to provide the basis for the preparation of the 2012/13 Accounts.

To facilitate Members' understanding of the Accounts, the accounting policies and the main changes required as a result of the 2012 Code of Practice, a training session was proposed in June / July 2013.

A Member referred to the many statues, ancient monuments and other heritage assets within Cumbria (e.g. Hadrian's Wall and West Walls) and questioned how those could be reliably valued and recorded within the Asset Register / Accounts.

In response, the Manager (Grant Thornton) explained that the issue identified was problematic for many organisations. The Code of Practice recognised that there were two elements; heritage assets (e.g. pictures, paintings, sculptures) which could be valued and those (e.g. City Walls) to which a value could not be attributed. In those cases evidence of ownership should be disclosed.

He added that the Director (Grant Thornton) had been very impressed by the Council's approach to the matter, which was fully compliant with the requirements of the Code of Practice.

RESOLVED – That the Audit Committee noted the content of Report RD.65/12 and had considered the accounting policies to be used in the preparation of the 2012/13 Accounts.

AUC.11/13 INTERNAL AUDIT PROGRESS REPORT

Councillor Mrs Mallinson, having declared an interest, remained within the meeting room and took part in discussion on this item.

The Audit Manager (Carlisle City) submitted report RD.69/12 summarising the work carried out by Audit Services since the previous report to Committee on 26 September 2012 and detailing progress made on delivery of the approved Audit Plan in the third quarter 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. 441 days had been delivered (82%) which was 67 days ahead of target for this time of the year.
- Resources in the team had now been reduced and time available in quarter four would mainly concentrate on the completion of the remaining material audit reviews.
- Investigatory work had some impact on planned work during quarter three.
- There was one recent change to the Plan, details of which were provided at Section 3 of the report.

The Audit Manager reminded Members that the Audit Plan should be dynamic and able to demonstrate a degree of flexibility to accommodate requests for other audit support during the course of the year.

A recent matter had arisen which had prompted a change to the Plan. The audit of Street Cleaning was deferred from the 2011/12 Audit Plan and the time used to support the review of the Connect 2 Cycle Way Scheme. Street Cleaning was now in the Plan for 2012/13 and planning discussions regarding that audit with the Director of Local Environment concluded that it was not an appropriate time to complete this audit given that the transformational review of the Street Cleaning service was near completion. Instead, a request was made by the Director of Local Environment to utilise this audit time to deliver a contract management review of the Recycling 'Bring' Sites, as there were concerns about the effectiveness of the service and costs associated with the current contract. The Director of Resources had agreed the action and street cleaning would be factored into the 2013/14 Audit Plan. Members were asked to note the change to the 2012/13 Audit Plan.

The Audit Manager (Carlisle City) advised that a revised system for the follow up of audit recommendations was now in operation, utilising the Covalent performance management system. Managers were now being encouraged to update, within the agreed timescales, the progress made on any recommendations which they were responsible for implementing. She added that there were two previous audits whereby the follow ups were now overdue (Tendering and Contracting and the Connect 2 Cycle Scheme). In line with agreed audit practice for audits with restricted assurances, those two audits would be subject to formal audit follow up procedures and the outcomes would be reported to Members once finalised.

Turning to the issue of Data Quality and Records Management, the Audit Manager (Carlisle City) recalled that, at their last meeting, the Committee had been concerned at the 'restricted' rating attributed to the audit of Records Management and that there were no overall records management arrangements at corporate level. Members had asked to see the development of a draft Records Management Policy by December 2012 for submission to this meeting. It was also recommended that a Senior Officer take immediate responsibility for the matter and clarity was sought over the adequacy of the implementation date of 31 March 2012.

The Senior Management Team (SMT) had on 19 December 2012 considered a report outlining the set of guiding principles drawn from the Code of Practice on the Management of Records. A project was being established which would establish corporate records management procedures, roll out of which would be undertaken in a structured and informed manner. Details of the key actions were also set out at Section 5.5.

The Policy and Communications Manager outlined the content of the paper submitted to SMT, which was based upon guidance from the Chancellor. He was now working with Managers to put the key principles into practice and produce a strategy to develop a Records Management Register. Opportunities to improve the position would be looked at as they emerged.

In conclusion, the Policy and Communications Manager said that the support of SMT have been secured to ensure that the correct level of support was provided by Managers.

In response to a question, the Director of Governance confirmed that the Policy and Communications Manager had taken ownership of the matter moving forward.

A Member questioned the Council's policy as regards the storage of e-mail correspondence by Members and Officers.

The Policy and Communications Manager recognised that e-governance also posed a real challenge for the authority. He relied upon Managers to recognise that e-mail correspondence was as much a part of the project as paper correspondence.

The Member was concerned to ensure that a clear audit trail / evidence was in place to demonstrate proper permanent storage of e-mails (that should also include Shared Services). That would protect the position of Members and staff within the Council.

In response, the Policy and Communications Manager explained that some practices had been put in place which required the level of rigour referred to.

A Member questioned when a written Records Management Policy would be available and the process for scrutiny thereof.

The Policy and Communications Manager indicated that a Risk Management Policy would be written in conjunction with the work being undertaken with Managers. The Director of Governance added that it was a matter for Overview and Scrutiny to decide whether they wished to scrutinise the Policy.

The Deputy Chief Executive considered the report to SMT to be very helpful in terms of drawing attention to the issues involved. A distinction required to be drawn between policy, guidance and records keeping. He gave an overview of discussions at the SMT who felt that there was work to do in terms of updating current practice.

The Deputy Chief Executive added that the issue raised regarding the harvesting and storage of e-mails was helpful and would be picked up.

Members requested that an update on progress with the development of records management be submitted to the Committee in six months time.

The Audit Manager (Carlisle City) then outlined in some detail the content and ratings attached to the audit reports in respect of Tullie House; Housing Benefit Overpayments; Improvement Grants; and Highways Claimed Rights. Copies were appended to the report.

The Audit Manager (Carlisle City) focussed in the main upon the Audit of External Funding which provided restricted assurance. She explained that the restricted assurance level had been influenced by a number of factors, including stability of systems audited, non adherence to procedures and the recommendations made.

There were concerns that the central grant monitoring arrangements and the records maintained by Financial Services for 2011-12 and prior years were not as accurate and up-to-date as they should be. This was in the main due to Directorates not keeping Financial Services informed of external funding obtained. Arrangements were in place for quality checking of Disabled Facility Grants, but a lack of communication led to the late submission of the 2011-12 claim.

She added that a number of opportunities to further enhance controls had been identified and those were shown in the Summary of Audit Recommendations and Action Plan. Details of the key issues arising from the review were also provided.

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 External Funding and Grants

Referring to Section 5.1 (follow up to the previous audit review), a Member was concerned to note that regular (annual) training sessions still needed to be scheduled into the internal training programme which should be (compulsory) attended by all Officers with grant processing responsibilities. She sought re-assurance that the issue was being addressed correctly.

The Member also referred to recommendation R1 concerning the removal from the establishment of the External Funding Officer post, and questioned what the outcome would be.

The Audit Manager (Carlisle City) advised that the Senior Management Team needed to take a decision as to whether an external funding lead was required.

The Member said that personally she did not believe that the External Funding Officer post should be resurrected. She suggested that, in the interim, a Director should take ownership of the matter and recommended reference back to SMT (copied to the Executive) to that effect.

By way of assistance, the Deputy Chief Executive outlined the background to removal of the External Funding Officer post pointing out that, although that Officer had responsibility for external funding, a number of other Officers across the authority had also taken on the role of attracting external funding. It would be helpful if the SMT, the Executive and Overview and Scrutiny undertook collaborative work on the matter.

The Deputy Chief Executive added that he was happy to take the lead in terms of raising the issue with SMT.

The Director of Governance reminded Members that the Council operated an Ethical Governance Group, which delivered appropriate and relevant training to Members and Officers. Attendance in respect of certain elements was mandatory and, in addition, the e-learning package offer would be expanded and targeted at appropriate recipients.

- Audit of Tullie House (Management of Assets)

A Member expressed concern that some of the insurance valuations may be more than twenty years old. She suggested that a clause be inserted into the existing insurance policy to ensure that the collection was covered in the event of theft.

In response, the Financial Services Manager undertook to raise the matter with the Council's insurance brokers.

- Audit of Housing Benefit Overpayments; and Audit of Highways Claimed Rights

Members commended staff for their hard work in relation to what were exceptionally good pieces of audit work.

RESOLVED – (1) That report RD.69/12 be received and progress made towards completion of the 2012/13 Audit Plan, for the third quarter period (as illustrated in Appendix A), be noted.

(2) That the change to the 2012/13 Audit Plan, detailed at Section 3, be noted.

(3) That the progress taken to date to progress the Action Plan to address the recommendations concerning Corporate Risk Management arrangements be noted.

(4) That the Audit Committee received the completed audit reports attached as Appendices C to G of the report, subject to the following :

- That the Policy and Communications Manager submit a report, updating the Committee on progress with regard to Data Quality and Records Management, in six months time.

- That the Deputy Chief Executive raise Members' concerns regarding resolution of the role of External Funding coordinator with the Senior Management Team and report back to a future meeting of the Audit Committee.
- That the Financial Services Manager raise the concerns expressed with regard to insurance of the Tullie House collection with the Council's insurance brokers.
- That the thanks for the Committee be conveyed to members of staff involved in the Audit of Housing Benefit Overpayments; and Audit of Highways Claimed Rights.

**AUC.12/13 DRAFT TREASURY MANAGEMENT STRATEGY STATEMENT,
INVESTMENT STRATEGY AND MINIMUM REVENUE PROVISION
STRATEGY 2013/14**

The Financial Services Manger submitted report RD.60/12 setting out the Council's Treasury Management Strategy Statement for 2013/14 in accordance with the CIPFA Code of Practice on Treasury Management.

She informed Members that the Investment Strategy and the Minimum Revenue Provision Strategy for 2013/14 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

She indicated that the draft version of the Statement was considered by the Executive on 17 December 2012 prior to the consultation period on the draft budget for 2013/14. The Committee was asked to make any comments on the report which the Executive would be asked on 14 January 2013 to recommend to Council for approval.

Following approval by Council, further work would be undertaken on counterparty limits. A report would be submitted to the Audit Committee thereafter.

In conclusion, the Financial Services Manager advised that the report had been compiled against a frequently changing background as regards treasury management matters and may need to be further updated before the final version was presented to Council.

RESOLVED – (1) That the Audit Committee received Report RD.60/12 and noted that the report may require to be further updated before the final version was presented to Council.

(2) That the Committee noted that a further report would be submitted detailing the outcome of additional work on counterparty limits.

AUC.13/13 TREASURY MANAGEMENT JULY – SEPTEMBER 2012

The Financial Services Manager submitted report RD.47/12 providing the regular quarterly summary of Treasury Management transactions for the second quarter of 2012/13, including the requirements of the Prudential Code.

She outlined, in some detail, the outstanding investments as set out in Appendix A3 and explained the colour coding system used by Sector, the Council's Treasury Advisors.

Members congratulated staff for work undertaken.

RESOLVED - That Report RD.47/12 be received and the good progress in terms of returns on monies invested be noted.

AUC.14/13 CODE OF CORPORATE GOVERNANCE

The Financial Services Manager submitted report RD.72/12 updating Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework.

Details of the background to the matter and why it was timely to undertake a review of the Council's Code of Governance were provided.

The Financial Services Manager reminded Members that the Annual Governance Statement for 2011/12 highlighted no significant weaknesses in the Council's governance arrangements, nor were there any outstanding issues from previous Action Plans. She added that there were no new significant issues which needed to be brought to Members' attention, nor were there any new areas of risk arising from the Audit Reviews or from the Risk Registers that needed to be drawn to their attention.

The Committee had previously considered an Audit Report on the Connect 2 Cycle Scheme and had requested assurances that proper project management arrangements were in place for all significant schemes being undertaken, including supporting documentation such as full business cases and risk registers. Appendix A provided details of all those schemes currently monitored by the Project Assurance Group and the documentation in place for each scheme.

The Financial Services Manager pointed out that the Project Assurance Group had been renamed the Corporate Programme Board (CPB); it would have a wider remit to ensure effective governance arrangements on all initiatives that supported the corporate programme and Carlisle Plan. She added that the CPB would be chaired by the Chief Executive and include Members of PAG along with representatives from each Directorate and ICT.

A Member questioned why the Business Improvement Centre had not been included as a risk at Appendix A.

In response, the Deputy Chief Executive explained the background to discussions regarding the Business Improvement Centre, commenting that the issue was not considered to constitute a corporate risk.

A Member referred to the aims of the Project Assurance Group as opposed to the Corporate Programme Board and questioned the difference between the two.

The Deputy Chief Executive replied that, although operation of the Corporate Programme Board would not be significantly different, its scope would be much wider than that of the Project Assurance Group.

RESOLVED – That Report RD.72/12 and the assurances that had been provided with regard to all significant projects undertaken by the Council be noted.

AUC.15/13 CORPORATE RISK MANAGEMENT

The Deputy Chief Executive submitted report SD.01/13 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 18 October 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 each of the risks set out in Appendix A to the report.

A number of risks had been removed from the Corporate Risk Register as those risks had been reduced through successful mitigation action. They would, however, continue to be monitored as operational risks 2013/14 onwards.

The SMT and the Corporate Risk Management Group had started to identify and analyse the risks in delivering the new priorities within the draft Carlisle Plan and the actions/resources that would be required to mitigate those risks. Those risks, still at draft stage, were now incorporated into the Corporate Risk Register and would be further developed as the priorities were worked up and approved at full Council on 30 April 2013. Considering the risks at this early stage was an important step in assessing both the downside risks and also the emerging opportunities. That would provide valuable information for the further development of the priorities and key actions in delivering them.

The Deputy Chief Executive informed Members that the annual corporate risk management session had taken place on 7 January 2013. Members of SMT, along with the Financial Services Manager, Audit Manager (Carlisle City Council) and Policy and Communications Manager met to further analyse risks as the Carlisle Plan continued to be developed, to highlight any significant risks from recent audits and to identify risks emerging from the budget process.

RESOLVED – That the Audit Committee had considered and noted the content of Report SD.01/13 as an indication of the continuing commitment to sound governance arrangements for corporate risk management.

[The meeting ended at 11.36 am]

RESOURCES OVERVIEW AND SCRUTINY PANEL

THURSDAY 3 JANUARY 2013 AT 10.10AM

PRESENT: Councillor Watson (Chairman) Councillors Betton, Bowditch, Bowman C, Craig, Forrester and Layden (as substitute for Councillor Mrs Parsons)

ALSO PRESENT Councillor Dr Tickner – Finance, Governance and Resources Portfolio Holder
Councillor Mrs Luckley – Chairman of the Community Overview and Scrutiny Panel
Councillor Miss Sherriff – Carlisle City Council representative on the Carlisle Leisure Board
Councillor Weber - Carlisle City Council representative on the Carlisle Leisure Board

OFFICERS Town Clerk and Chief Executive
Director of Resources
Development and Support Manager
Scrutiny Officer

ROSP.01/13 APOLOGIES FOR ABSENCE

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

ROSP.02/13 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

ROSP.03/13 MINUTES OF PREVIOUS MEETINGS

RESOLVED – 1) That the minutes of the meeting held on 18 October 2012 be agreed as a correct record of the meeting and signed by the Chairman

2) That the minutes of the meeting held on 4 December 2012 be noted.

ROSP.04/13 CALL-IN OF DECISIONS

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

ROSP.05/13 OVERVIEW REPORT AND WORK PROGRAMME

The Scrutiny Officer presented report OS.01/13 which provided an overview of matters that related to the work of the Resources Overview and Scrutiny Panel's work.

The Scrutiny Officer reported:

- The Notice of Key Executive Decisions had been published on 14 December 2012 and the following issues fell within the remit of the Panel:

KD.033/12 – Budget Process 2012/13 was on the agenda for consideration at this meeting.

KD.037/12 - Carlisle Plan would be considered at the next Resources Overview and Scrutiny Panel.

KD.044/12 – Asset Review Disposal Programme Land at Morton would be considered by the Executive at their meeting on 11 February 2013. An update on the whole review was due to be considered by the Panel at their meeting on 21 February 2012.

The Director of Resources informed the Panel that the Asset Review update may be delayed for a cycle to allow for the new administration to carry out their review of the whole Disposal Programme.

- Minute Excerpt EX.173/12 regarding the recommendations of the Saving Paper Task and Finish Group had been received from the Executive.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Key Decision items relevant to this Panel OS.27/12 be noted.

2) That Key Decision items:

KD.037/12 - Carlisle Plan would be considered at the next Resources Overview and Scrutiny Panel.

KD.044/12 – Asset Review Disposal Programme Land at Morton would be considered by the Executive at their meeting on 11 February 2013.

3) That Minute Excerpt EX.173/12 regarding the recommendations of the Saving Paper Task and Finish Group be noted.

ROSP.06/13 BUDGET 2013/14

(1) Executive's response to the first round of Budget Scrutiny

There was submitted Minute Excerpt EX.157/12 detailing the response of the Executive to the comments made by the Overview and Scrutiny Panels in response to the first round of Budget scrutiny, namely:

“That the Overview and Scrutiny Panels be thanked for their consideration of the draft Budget reports; and their comments, as detailed within the Minutes submitted, would be taken into account as part of the Executive's deliberations on the 2013/14 Budget.”

RESOLVED – That the decision of the Executive (EX.157/12) be received.

(2) Executive Draft Budget Proposals 2013/14

There was submitted the Executive draft Budget proposals 2013/14 which had been issued for consultation purposes.

The draft Budget proposals comprised –

Section	Detail
A	Background and Executive Summary
B	Revenue Budget 2012/13 to 2017/18 <ul style="list-style-type: none"> • Schedule 1 - Existing Net Budgets • Schedule 2 - Proposed Budget Reductions • Schedule 3 - Recurring Budget Increases • Schedule 4 - Non-Recurring Budget Increases • Schedule 5 - Summary Net Budget Requirement • Schedule 6 - Total Funding and Provisional Council Tax
C	Capital Programme 2012/13 to 2017/18 <ul style="list-style-type: none"> • Schedule 7 - Estimated Capital Resources • Schedule 8 - Proposed Capital Programme • Schedule 9 - Summary Capital Resource Statement
D	Council Reserves Projections to 2017/18 <ul style="list-style-type: none"> • Schedule 10 - Usable Reserves Projections
E	Budget Discipline and Saving Strategy
F	Statutory Report of the Director of Resources
G	Glossary of Terms

The draft Budget proposals were based on detailed proposals that had been considered by the Executive over the course of the last few months. In particular, reports of the Director of Resources considered at the Executive meeting of 17 December 2012.

In considering the draft proposals, Members made the following comments and observations:

- Was there an estimated cost for the new electoral registration scheme?

The Director of Resources informed the Panel that the estimated cost was not currently known but would be included in the Executive's budget.

- The Panel asked for clarification with regard to the car parking income pressure.

The Director of Resources clarified that the implication of freezing parking charges was a loss of £50,000 in income that would need to be accounted for in 2013/14 budget.

- What was the recurring budget increase for the capital scheme at the Sands Centre?

The Director of Resources responded that £5m had been included in the Proposed Capital Programme as a new spending proposal for the proposed move of the swimming pool. At the current time the Sands Centre was the proposed location but detailed work would be required before any decision was taken.

The Town Clerk and Chief Executive added that the relocation of the swimming pool was an aspiration only and required a detailed business case to be prepared before any further

decisions on location and services were taken. If the Sands Centre was the final location there may be additional revenue savings which could cover the cost of any necessary borrowing. He reiterated that no decisions would be made without a detailed business case.

A Member asked if there was a timescale for the business case and the Town Clerk and Chief Executive responded that the preparation of a business case would be carried out at the request of the Executive to fit in with their calendar of work.

The Panel were very concerned that the Sands Centre and Methodist Hall had been named in the Budget Proposals as locations of the swimming pool and arts centre when business cases had not been prepared for either. They felt that by naming the locations it raised people's expectations and there was a chance that the locations may not be suitable.

The Town Clerk and Chief Executive agreed that the potential locations should not drive the facilities or services on offer. The two premises offered an opportunity that would be explored fully and following very detailed work Members would then make the decision with regard to the locations.

The Finance, Governance and Resources Portfolio Holder informed the Panel that the Joint Management Team had met on 2 January 2013 and agreed that the specific names of the locations would be removed from the Budget, he also confirmed that he would feed back the Panel's concerns to the Executive.

- The Kingstown Industrial Estate project had an underspend of £150,000, could this money have been used to bring the roads up to an adoptable standard?

The Director of Resources explained that the original project had been to bring the roads up to the 10 years standard but the County Council engineer had changed the standard to the 40 years standard. To achieve this standard would have cost considerable more than the funds available. The City Council sent out a tender for the 10 years standard project and as a result the tender came in under budget but all work specified in the original project had been carried out.

The Finance, Governance and Resources Portfolio Holder summed up by saying that the Executive had worked closely with officers and, although the Council was still in a difficult position, the capital scheme had identified opportunities to ensure that the Council met its priorities.

RESOLVED – That the observations of the Panel, as detailed above, be conveyed to the Executive

(3) Background Information reports

(a) Revenue Estimates: Summary of Overall Budgetary Position 2013/14 to 2017/18

Report RD.58/12 – providing a draft summary of the Council's revised revenue base estimates for 2012/13, together with base estimates for 2013/14 and updated projections to 2017/18. Also included were details of the impact of the new savings and new spending pressures currently under consideration and the potential impact on the Council's overall revenue reserves.

The decision of the Executive on 17 December 2012 (EX.158/12) was:

“That the Executive noted the updated budget projections for 2012/13 to 2017/18, and made recommendations in the light of the budget pressures and savings submitted to date, together with the potential use of balances and reserves, in order to issue a draft Budget for consultation purposes.”

RESOLVED – That report RD.58/12 and decision of the Executive be noted.

(b) Provisional Capital Programme 2013/14 to 2017/18

Report RD.59/12 – providing revised details of the revised capital programme for 2012/13 together with the proposed method of financing as set out in Appendices A and B. Also summarised was the proposed programme for 2013/14 to 2017/18 in light of the capital bids submitted to date for consideration. It summarised the estimated and much reduced capital resources available to fund the programme.

The Executive had on 19 November 2012 (EX.140/12) decided:

“That the Executive :

1. Noted the revised capital programme and relevant financing for 2012/13 as set out in Appendices A and B of Report RD.46/12;
2. Recommended that the City Council approve reprofiling of £3,000,000 and savings of £2,080,300 from 2012/13 identified in the review;
3. Made recommendations to Council to approve virements from underspends from Kingstown Industrial Estate (£150,100) and Families Accommodation Replacement (£100,000) to fund additional expenditure at the Resource Centre;
4. Had given initial consideration to the capital spending requests for 2013/14 to 2017/18 contained in Report RD.46/12 in the light of the estimated available resources; and
5. Noted that any capital scheme for which funding had been approved by the Council may only proceed after a full report, including business case and financial appraisal, had been approved.”

RESOLVED – That report RD.59/12 and decision of the Executive be noted.

(c) Draft Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2013/14

Report RD.60/12 – setting out the Council's Treasury Management Strategy Statement for 2013/14 in accordance with the CIPFA Code of Practice on Treasury Management. The Investment Strategy and Minimum Revenue Provision (MRP) Strategy for 2013/14 were incorporated as part of the Statement, as were the Prudential Indicators as required within the Prudential Code for Capital Finance in Local Authorities.

The Executive had on 17 December 2012 (EX.160/12) approved the draft Treasury Management Strategy Statement for 2013/14 incorporating the Investment Strategy and

Minimum Revenue Provision Strategy, together with the Prudential Indicators for 2013/14 for draft Budget consultation purposes as set out in Appendix A and the Treasury Management Policy Statement as set out at Appendix D to Report RD.60/12.

RESOLVED – That report RD.60/12 and decision of the Executive be noted.

ROSP.07/13 PROJECT ASSURANCE GROUP

The Town Clerk and Chief Executive submitted report CE.01/13 providing the most recent summary of significant projects being undertaken.

The Town Clerk and Chief Executive reminded the Panel that the Project Assurance Group had an advisory and high level monitoring role in relation to the significant projects delivered by Carlisle City Council. He informed the Panel that the Project Assurance Group would be renamed the Corporate Programme Board and the new Group would ensure that there was effective governance arrangements on all initiatives that supported the corporate programme.

The Town Clerk and Chief Executive outlined the Corporate Programme Board's Terms of Reference and explained that he would chair the Board and it would include members of the Project Assurance Group along with representatives from each Directorate and ICT.

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

- How was the decision reached to sell Dalton Avenue for less than its value?

The Finance, Governance and Resources Portfolio Holder explained that the asset disposal had achieved 18% more than anticipated which allowed the Council to deliver its promise of more affordable housing. The housing market had changed and it was considered that the figure achieved was the maximum for the site and it allowed the scheme to move forward.

The Town Clerk and Chief Executive added that Ward Councillors were informed of disposals in their Wards but were not included in the details of the actual deal. There was a procedure that had to be followed for disposals under their value.

RESOLVED – 1) That the summary of significant projects, as contained within Appendix A of report CE.01/13 be noted;

2) That the change to the Corporate Programme Board be noted.

ROSP.08/13 PUBLIC AND PRESS

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

ROSP.09/13

REVIEW OF PARTNERSHIPS 2011/12

(Public and Press excluded by virtue of Paragraph 3)

Councillor Mrs Luckley took part in the consideration of the following item as Chairman of the Community Overview and Scrutiny Panel.

The Development and Support Manager submitted report RD.62/12 which provided information which related specifically to the Council Leisure contract undertaken by Carlisle Leisure Limited (CLL) and the governance arrangements related to the Tullie House Trust contract.

The Development and Support Manager reminded the Panel that a report had been submitted to their meeting on 18 October 2012 which identified the outcomes, progress and performance of the Council's partnership arrangements during 2011/12. As a consequence of the information provided the Director of Resources had been requested to provide specific information on both the CLL contract and the Tullie House Museum arrangement.

The Development and Support Manager outlined the background to partnerships and contractual arrangements and gave the background to both the CLL contract and the Tullie House Trust. He also gave details on the monitoring arrangements, quality control and performance monitoring for both. He highlighted the difficulty in providing financial information which related solely to the contract between the City Council and CLL.

The Development and Support Manager informed the Panel that an internal audit had been carried out with regard to the CLL contract and it would be considered by the Council's Audit Committee in February.

The Panel considered the report in two parts:

Carlisle Leisure Limited

- The contract between the Council and CLL was regulated by the Financial Services Authority (FSA) and the rules set by an Industrial Provident Society; had the lack of information from CLL contravened the rules?

The Director of Resources explained that the FSA carried out their own monitoring of CLL and it would not be part of the City Council's monitoring.

- The Council had contributed approximately £7.65m to CLL over the ten year period of the contract but the information from CLL did not explain how that money had been used.
- The Panel had were concerned about the monitoring of the CLL contract over the ten year period.
- The Report showed differences in profit and loss for Carlisle and Allerdale how different was the contract for Carlisle and Allerdale?

The Development and Support Manager responded that the City Council had asked Allerdale for any information they had to answer this question.

- Was the CLL head office owned by the City Council?

The Development and Support Manager clarified that the Head Office was not owned by the City Council and that CLL had a separate contract with a landlord.

- The Panel felt strongly that representatives of CLL should be invited to a future meeting of the Panel to answer the Panels questions.

The Town Clerk and Chief Executive agreed that it would be beneficial to invite representatives of CLL to a meeting. He commented that the responsibility for open communication fell to both the City Council and CLL.

Two Carlisle City Council representatives on the CLL Board were in attendance at the meeting and agreed that CLL representatives should be invited to the Panel.

Tullie House

- The Panel sought reassurance that the contract with Tullie House would be subjected to the same monitoring and scrutiny that the CLL contract would be in the future.

The Town Clerk and Chief Executive assured the Panel that the Deputy Chief Executive had a good relationship with Tullie House and was working to ensure that the Council received all the required information.

- A Member asked for clarification with regard to the monies that the City Council contributed to Tullie House.

The Director of Resources confirmed that the Council contributed £1.2m and a further £200,000 in Human Resources, Payroll and building maintenance. He added that Tullie House had approximately £500,000 in reserve which was prudent for a Museum of that size. Tullie House and also achieved £730,000 from external sources.

- Were officers satisfied that they were receiving the necessary co-operation from Tullie House.

The Development and Support Manager informed the Panel that information was coming slowly from Tullie House but it was the start of the process and it was hoped it would improve.

- It was important that the Council monitored the contract more effectively as the contribution from the Council was Tullie House's largest income.

The Finance, Governance and Resources Portfolio Holder agreed that the Council gave substantial grants to other organisations and it was important in the current economic climate that those organisations justified the money that they received.

- Was it possible to reduce the grants to Tullie House and CLL?

The Director of Resources responded that the contract with Tullie House allowed for the Council to reduce the grant, the contract with CLL allowed for a reduction in grant through negotiation.

RESOLVED – 1) That the Town Clerk and Chief Executive be asked to write Carlisle Leisure Limited to inform them that the Scrutiny Panel is looking closely at the monitoring arrangements for the contract between the City Council and themselves.

2) That the concerns and comments of the Panel be passed to the Audit Committee for their consideration of the Audit report on the Carlisle Leisure Contract.

3) That representatives of Carlisle Leisure Limited be invited to attend a future meeting of the Panel.

4) That the Tullie House contract is monitored on a regular basis to ensure that the City Council is achieving value for money for the contributions made.

(The meeting ended at 12.05pm)

RESOURCES OVERVIEW AND SCRUTINY PANEL**THURSDAY 21 FEBRUARY 2013 AT 10.10AM**

PRESENT: Councillor Watson (Chairman) Councillors Betton, Bowditch, Bowman S, Craig, Forrester, Mrs Parsons (until 11.30am) and Whalen.

ALSO PRESENT Professor Councillor Hendry – Leader of the Council

OFFICERS Town Clerk and Chief Executive
Director of Resources
Policy and Performance Officer (MD and GO)
Organisational Development Manager
Scrutiny Officer

ROSP.10/13 APOLOGIES FOR ABSENCE

An apology for absence was submitted on behalf of Councillor Dr Tickner – Finance, Governance and Resources Portfolio Holder.

ROSP.11/13 DECLARATIONS OF INTEREST

There were no declarations of interest submitted.

ROSP.12/13 CALL-IN OF DECISIONS

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

ROSP.13/13 OVERVIEW REPORT AND WORK PROGRAMME

The Scrutiny Officer presented report OS.05/13 which provided an overview of matters that related to the work of the Resources Overview and Scrutiny Panel's work.

The Scrutiny Officer reported:

- The Notice of Key Executive Decisions had been published on 8 February 2013 and the following issues fell within the remit of the Panel:

KD.037/12 - Carlisle Plan would be considered at this meeting of Resources Overview and Scrutiny Panel.

KD.044/12 – Asset Review Disposal Programme Land at Morton had been considered by the Executive at their meeting on 11 February 2013. An update on the whole review was due to be considered by the Panel at their meeting on 4 April 2013.

- There were no references from the Executive.
- The Scrutiny Officer provided an update on the Saving Paper Task Group and the MyCMIS Pilot. Councillor Craig had led the Task Group and updated the Panel on how

he had found the pilot. He informed the Panel that a report would be submitted following a full evaluation of the pilot.

The Panel hoped that the pilot would be successful and more facilities could be utilised, such as the smartboards, as a result. The Town Clerk and Chief Executive added that the new way of producing reports would push officers to consider the format and content of their reports to ensure they are presented in a format suitable for Members.

- All Scrutiny Members had been asked if there were any particular issues they wished to see discussed in the Scrutiny Annual report. A draft of the report would be submitted to the Panel's final meeting of the civic year on Thursday 4 April 2013.
- As requested by the Panel, a special meeting of the Resources Overview and Scrutiny Panel had been arranged to take place on 5 March 2013 at 2.00pm to consider the Carlisle Leisure Limited contract. All Members of the Community Overview and Scrutiny Panel had been invited to attend. It was agreed that the Town Clerk and Chief Executive would attend the Members briefing session before the special meeting.

RESOLVED – 1) That the Overview Report incorporating the Work Programme and Key Decision items relevant to this Panel OS.05/13 be noted.

2) That Key Decision item:

KD.044/12 – Asset Review Disposal Programme Land at Morton had been considered by the Executive at their meeting on 11 February 2013. An update on the whole review was due to be considered by the Panel at their meeting on 4 April 2013.

ROSP.14/13 SICKNESS ABSENCE 2012/13

The Town Clerk and Chief Executive presented report CE.03/13 which provided an update about the City Council's sickness absence on 2012/13 with end of year predictions.

The Town Clerk and Chief Executive reported that the 11.1 days lost per full time equivalent employee (FTE) to sickness absence in 2011/12 had been the highest experienced by the Authority in 5 years. Carlisle had been the worst performing District Council in the North West according to data released by North West Employers. As a consequence, a Lean System Review of sickness absence had been initiated and managers had been provided further help to reverse the trend.

The Town Clerk and Chief Executive highlighted the appendices to the report and explained that they showed that the City Council was on course to experience a 10% reduction in sickness absence levels in 2012/13 compared to 2011/12. He added that the end of year sickness absence report due to the Panel in June would provide a full breakdown of the reasons for absence and a summary of the improvements that had been made following the Lean System review.

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

- The information provided reported that sickness levels were reducing but there had been an increase in long term sickness.

The Town Clerk and Chief Executive clarified that the actual working days lost due to sickness absence was lower; however, there had been an increase in long term absence in some departments. He informed the Panel that when an absence became long term ie more than 28 days, he would meet with the line manager to ensure that the member of staff was receiving the correct support. He stated that the short term absences were decreasing within the authority but this meant that the long term absence increased as a proportion.

- How did officers prepare the sickness forecast?

The Town Clerk and Chief Executive explained that officers mapped the current sickness profile against the previous year's profile and used that to establish a forecast for the next year.

- Why had the Council not conducted 100% of Return to Work Interviews?

The Director of Resources responded that there were three reasons for not having 100% of the interviews conducted. There would be a delay in the system, some cases of sickness absence were at the start of maternity leave so interviews could not be carried out until after the member of staff returned from maternity leave and very occasionally the interviews were not carried out.

- Carlisle had been the worst performing District Council in the North West in 2011/12, had this changed?

The Policy and Performance Officer (GO) informed the Panel that the data would not be available until the end of the financial year.

- How was the City Council addressing the poor performance?

The Town Clerk and Chief Executive responded that the Council was proactively addressing the situation through a number of procedures including Return to Work interviews and health and wellbeing initiatives. The next update to the Panel could include comparison information if required.

- What had been the impact of including the temporary staff in the sickness absence figures?

The Policy and Performance Officer (GO) reported that there had been minimal impact to the sickness absence figures.

- The Panel asked for the figures for industrial injuries to be included in future reports.
- Members raised their concerns regarding the high percentage figure for long term absence within the Resources Directorate.

The Director of Resources explained that in 2012 there had been an unusually high increase in muscular skeletal absences and the Directorate had had four members of staff absent for nearly the whole year. Two members of staff had returned but the figures would not improve until the end of 2013/14. The Town Clerk and Chief Executive had worked closely with managers to ensure that the Council provided the appropriate support. He added that the short term sickness absence had reduced in the Resources Directorate in

line with the other Directorates. Following questions the Director of Resources reported that the four members of staff worked in different sections and none of their absences were work related. He explained that the Safety, Health and Environmental Manager conducted workplace assessments for the staff on their return to work.

The Town Clerk and Chief Executive suggested that the Safety, Health and Environmental Manager submit a report to a future meeting of the Panel detailing the work undertaken regarding work related absences.

RESOLVED – 1) That the Sickness Absence 2012/13 update be welcomed;

2) That future reports to the Panel include figures for industrial injuries;

3) That the Safety, Health and Environmental Manager submit a report to a future meeting of the Panel detailing the work undertaken regarding work related absences.

ROSP.15/13 DRAFT CARLISLE PLAN 2013/16

The Leader submitted report PC.03/13 presenting the draft Carlisle Plan 2013 – 2016. He informed Members that the Plan replaced the previous Corporate Plan 2010 - 2013 and formed part of the Council's Policy Framework.

The Plan set out the Council's vision for Carlisle and the six priorities for action over the medium term (2013 - 2016), with the text under each priority providing the background and further detail on how the priority would be achieved.

The draft Action Plan for delivering the priorities was set out at Appendix 2, including medium term actions aimed to be delivered over the life of the Plan and actions to be delivered within the financial year. That aligned the Plan with the budget year. Future actions which developed could fit into the budget planning process.

The Executive had on 11 February 2013 (EX.10/13) considered the report and decided:

“That the Executive:

1. Had considered the presentation and content of the draft Carlisle Plan with a view to seeking continuous improvement in the way the Council delivered services to its local communities.
2. Referred the draft Carlisle Plan to the Overview and Scrutiny Panels for consultation.
3. Referred the Action Plan to partners, including community and voluntary groups for consultation.”

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

- A Member felt that the Plan concentrated on the City Centre and not the whole of Carlisle.

The Leader agreed that in some ways this was correct, he felt that a healthy active City Centre would benefit the whole of Carlisle and would stimulate the economy for the whole of Cumbria.

- The previous Plans had addressed youth provision within the City but it was not included in the new Plan. Members asked for reassurance that youth provision would still be a priority for the Council.
- A previous priority had been Health and Wellbeing and it was no longer included in the priorities, Members asked that this be included.

The Leader responded that youth provision and rural issues were both very important and overlapped. The Executive had looked thoroughly at both issues and made sure that they were reflected within each priority and action in the Plan. He added that health had also been integrated into each one of the priorities and each Directorate because of its importance.

- The Panel supported the development of the M6 corridor and asked for more detail on the aspirations.

The Leader explained that the idea for a proposal had been instigated by the Government's suggestion for large infrastructure projects. The City Council shared its vision with Eden District Council and South Lakeland District Council to establish enterprise along the corridor to stimulate both the rural and urban economy. The Leader had seen similar projects in Slupsk during a Town Twinning visit and he hoped that the same opportunities could be created in this country. He added that it was vital that the M6 corridor was developed as it was the gateway to the energy coast.

- A Member felt that the Plan should have contained more detail on how the actions would be achieved.

The Town Clerk and Chief Executive explained that the Plan was a strategic document and its purpose was to articulate what the Council's priorities were. The detail for each of the actions did not have to be included in the Plan. Each action would have a business plan or service plan as required and scrutiny would see those plans as the projects developed. Part of scrutiny's role would be to ensure that the plans were in line with the Carlisle Plan and consistent with what the Council was trying to deliver.

- A Member raised concerns regarding fuel poverty in the City and asked if this was a priority for the Council.

The Leader reminded the Panel that the Council was the strategic housing authority and, although all priorities were important, it was most important that the authority could provide affordable housing for the people of Carlisle. The Council had land and partners but needed more resources. The Housing Minister was visiting Carlisle in March and the Leader would meet with him to discuss the resources Carlisle needed to build affordable housing.

- How would scrutiny ensure that the actions in the Carlisle Plan were being carried out?

The Panel discussed the possibility of adding an additional column to the actions table which had a proposed completion date so it could be monitored by Scrutiny. The Town

Clerk and Chief Executive reminded the Panel that the business plans or service plans for each action would be scrutinised as the developments or proposals progressed.

RESOLVED – That the comments and concerns identified by the Panel as detailed above be conveyed to the Executive.

ROSP.16/13 PERFORMANCE UPDATE

The Policy and Communications Officer (MD) presented report PC.06/13 updating the Panel on the latest position regarding the Service Standards which helped measure the City Council's performance and customer satisfaction.

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

- The Service Standards were compared to a variety of other authorities, why were the same authorities not used for all the Service Standards?

The Policy and performance Officer (MD) explained that not all authorities measured the same standards or they measured them in a different way. It was most important for the authority to compare its performance against its own previous performance to ensure that the Council was providing a good service to the residents of Carlisle.

- With regard to the indicator for new benefit claims, how much longer over 28 days did the claimants have to wait?

The Policy and Performance Officer (MD) agreed to provide the information in the next report.

- Would the processing time for new claims increase as a result of the Welfare Reform?

The Director of Resources acknowledged that there were capacity challenges, some of which sat with IT but he was confident that the resources in place would deal with the changes. Claims that were not processed within the 28 days were usually because further information was required from the claimant and any that weren't processed within 28 days were unusual cases.

- Did the Council offer extra support to those claimants who required it?

The Director of Resources outlined the support which the Council offered to claimants which included Visiting Officers, signposting to the free advice agencies and advice networks. The Partnership Manager and the Customer Contact Centre Manager were working together to establish the best way to address issues.

RESOLVED: That the Performance Update report PC.06/13 be noted.

ROSP.17/13 ORGANISATIONAL DEVELOPMENT PLAN

The Organisational Development Manager presented report CE.02/13 setting out the key objectives, outcomes for employees, key actions and measures of success for organisational development issues.

The Organisational Development Manager gave an overview of the work undertaken against each of the priorities on the Organisational Development Plan.

In considering the Organisational Development Plan Members raised the following comments and questions:

- Were Members included in the Health Check Scheme?

The Organisational Development Manager responded that Members had not been included in the recent health checks because they had been funded from the staff Holiday Purchase Scheme. She added that Members were welcome to attend the annual Wellbeing and Learning day which takes place in May. It would be possible to include Members in the Employee Assistance Programme and other health initiatives but the funding for this would need to be considered by the Member Learning and Development Working Group.

- The Panel asked for an update on the review of the flexible working policies.

The Organisational Development Manager reported that a desktop exercise was being undertaken to research other authorities and companies and their flexible working practices. The review would cover more than just the flexi scheme and there were currently no plans to change the existing scheme but guidance and advice would be provided for managers on how to use it.

RESOLVED – That the Organisational Development Plan progress report be welcomed.

ROSP.18/13 CAPITAL BUDGET OVERVIEW AND MONITORING REPORT – APRIL TO DECEMBER 2012

The Director of Resources submitted report RD.77/12 providing an overview of the budgetary position of the City Council's capital programme for the period April to December 2012. He outlined for Members the overall budget position of the various Directorates and the financing of the 2012/13 Capital Programme, details of which were set out in the report.

He further commented upon performance against the 2012/13 programme, informing Members that the Senior Management Team would provide a strategic overview and monitor the effectiveness of the overall programme of work in delivering the Council's priorities and objectives. Technical project support and quality assurance of business cases and associated project management activities would be managed by a Corporate Programme Board chaired by the Chief Executive. Decisions to proceed or otherwise with proposed projects would be made in the usual way in accordance with the Council's decision making framework.

In summary, the Director of Resources said that a review of all capital expenditure incurred was ongoing to ensure that the expenditure had been correctly allocated between revenue and capital schemes. The work would facilitate the year end classification of assets.

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

- The Panel asked for clarification with regard to the legal fees relating to the Community Resource and Training Centre.

The Director of Resources explained that the contractor for the Resource Centre had submitted a last minute adjudication notice. The Council had refuted the claim via arbitration. The variance in the report related to the legal fees to refute the claim.

The Town Clerk and Chief Executive informed the Panel that the Council would use the Northwest Construction Hub where possible for future projects. The City Council would prefer to work with local providers where possible but did need to minimise any risk on future projects and using a set framework agreement would help this. He added that the Council would encourage local organisations to join the Hub and be part of the framework agreement.

- Had a risk assessment been carried out for the Resource Centre project?

The Town Clerk and Chief Executive assured the Panel that a risk assessment had been undertaken as part of the risk register.

RESOLVED – That Report RD.77/12 be noted.

ROSP.19/13 REVENUE BUDGET OVERVIEW AND MONITORING REPORT – APRIL TO DECEMBER 2012

The Director of Resources submitted the Revenue Budget Overview and Monitoring Report for April to December 2012 (RD.78/12). He outlined the overall budgetary position and the monitoring and control of expenditure against budget allocations, together with the exercise of virement. He further provided an explanation of balance sheet management issues; a number of high risk budgets; external factors (including car parking income); performance management; Section 106 Commuted Sums and action taken to write off bad debts. The overall position, based on current projections, was a deficit which would be monitored as the year progressed.

He highlighted and reported on a number of key issues together with their budgetary implications, including the Salary Turnover Savings Budget; the increasing number of empty units at the Enterprise Centre and reduction in income from lettings; Highways Claimed Rights; the running of the ICT Connect Shared Service; income from The Lanes; the purchase in 2009/10 of a new fleet of vehicles for the Recycling and Waste Collection Service; the review of Officers' business travel allowances; the pension deficit budget in relation to shared services staff; the direct revenue financing budget; the Trade Waste VAT claim; and the Bad Debt position. Details of the main variances in the Directorates' budgets were also set out in the report.

The Panel asked if there had been any improvement in the car parking income and the Director of Resources explained that it was too early in the process to be able to provide accurate information.

RESOLVED – That Report RD.78/12 be noted.

(The meeting ended at 12.00pm)

Carlisle City Council

Certification work report 2011/12

January 2013

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1 Executive Summary

Introduction

- 1.1 Grant Thornton, as the Council's auditors and acting as agents of the Audit Commission, is required to certify the claims submitted by the Council. This certification typically takes place some 6-12 months after the claim period and represents a final but important part of the process to confirm the Council's entitlement to funding.
- 1.2 We have certified 2 claims and returns for the financial year 2011/12 relating to expenditure of £75.2 million.
- 1.3 This report summarises our overall assessment of the Council's management arrangements in respect of the certification process and draws attention to significant matters in relation to individual claims.

Approach and context to certification

- 1.4 We provide a certificate on the accuracy of grant claims and returns to various government departments and other agencies. Arrangements for certification are prescribed by the Audit Commission, which agrees the scope of the work with each relevant government department or agency, and issues auditors with a Certification Instruction (CI) for each specific claim or return.
- 1.5 Appendix A sets out an overview of the approach to certification work, the roles and responsibilities of the various parties involved and the scope of the work we perform.

Key messages

- 1.6 It should be noted that all work reported in this certification report was completed by the Audit Commission prior to our appointment as the Council's auditors. The findings set out in this report therefore represent the results of your previous auditors work.
- 1.7 A summary of all claims and returns subject to certification and details of our certification fee is provided at Appendix B. The key messages from our review are summarised in Exhibit One, and set out in detail in the next section of the report.

Arrangements for certification for claims and returns:

- below £125,000 - no certification
- above £125,000 and below £500,000 - agreement to underlying records
- over £500,000 - agreement to underlying records and assessment of control environment. Where full reliance cannot be placed, detailed testing.

Exhibit One: Summary of Council performance

Aspect of certification arrangements	Key Message
Submission and certification	Both claims were submitted on time to audit and all claims were certified within the required deadline.
Accuracy of claim forms submitted to the auditor	Overall the Council is performing well and there are no significant matters arising from our certification of claims and returns.
Amendments and qualifications	There were no amendments to claims this year. Only one qualification letter was issued on the Housing Benefit and Council Tax Benefit claim. Less errors were found on the benefits claim in 2011/12 compared with the previous year.
Supporting working papers	Supporting working papers for the claims and returns were good, which enabled certification within the deadlines.

The way forward

- 1.8 The Council implemented the agreed recommendations in the Audit Commission's Certification of claims and returns - annual report 2010/11. For 2011/12, there was only one error in our detailed testing of benefit cases which represents a significant improvement on the previous year. Therefore, there are no issues that require a recommendation to be made.

Acknowledgements

- 1.9 We would like to take this opportunity to thank the Council officers for their assistance and co-operation during the course of the certification process.

Grant Thornton UK LLP

January 2013

2 Results of our certification work

Key messages

- 2.1 We have certified 2 claims and returns for the financial year 2011/12 relating to expenditure of £75.2 million.
- 2.2 The Council's performance in preparing claims and returns is summarised in Exhibit Two.

Exhibit Two: Performance against key certification targets

Performance measure	Target	Achievement in 2011/12		Achievement in 2010/11		Direction of travel
		No.	%	No.	%	
Total claims/returns		2		5		
Number of claims submitted on time	100%	2	100	5	100	→
Number of claims certified on time	100%	2	100	5	100	→
Number of claims certified with amendment	0%	0	0	2	40	↑
Number of claims certified with qualification	0%	1	50	3	60	↑

- 2.3 This analysis of performance shows that:
- The Council has continued to submit claims for audit on time and assisted us in meeting the certification deadline
 - Although the number of claims amended and qualified has reduced this mainly reflects the removal of the need for us to certify single programme claims in 2011/12. There was no need to amend this year's Housing benefit and council tax benefit scheme claim although, as last year, the claim was qualified.
- 2.4 Details on the certification of all claims and returns are included at Appendix B.
- 2.5 We charged a total fee of £1,170 for the certification of claims and returns in 2011/12. In addition, your previous auditors the Audit Commission, charged a total fee of £34,523 against an indicative budget of £34,447. Details of fees charged for specific claims and returns are included at Appendix B.

A Approach and context to certification

Introduction

In addition to our responsibilities under the Code of Audit Practice, we also act as agents for the Audit Commission in reviewing and providing a certificate on the accuracy of grant claims and returns to various government departments and other agencies.

The Audit Commission agrees with the relevant grant paying body the work and level of testing which should be completed for each grant claim and return, and set this out in a grant Certification Instruction (CI). Each programme of work is split into two parts, firstly an assessment of the control environment relating to the claim or return and secondly, a series of detailed tests.

In summary the arrangements are:

- for amounts claimed below £125,000 - no certification required
- for amounts claimed above £125,000 but below £500,000 - work is limited to certifying that the claim agrees to underlying records of the Council
- for amounts claimed over £500,000 - an assessment of the control environment and certifying that the claim agrees to underlying records of the Council. Where reliance is not placed on the control environment, detailed testing is performed.

Our certificate

Following our work on each claim or return, we issue our certificate. The wording of this depends on the level of work performed as set out above, stating either the claim or return is in accordance with the underlying records, or the claim or return is fairly stated and in accordance with the relevant terms and conditions. Our certificate also states that the claim has been certified:

- without qualification;
- without qualification but with agreed amendments incorporated by the authority; or
- with a qualification letter (with or without agreed amendments incorporated by the authority).

Where a claim is qualified because the authority has not complied with the strict requirements set out in the certification instruction, there is a risk that grant-paying bodies will retain funding claimed by the authority or, claw back funding which has already been provided or has not been returned. In addition, where claims or returns require amendment or are qualified, this increases the time taken to undertake this work, which impacts on the certification fee.

Certification fees

Each year the Audit Commission sets a schedule of hourly rates for different levels of staff, for work relating to the certification of grant claims and returns. When billing the Council for this work, we are required to use these rates. They are shown in the table below.

Role	2011/12	2010/11
Engagement lead	£325	£325
Manager	£180	£180
Senior auditor	£115	£115
Other staff	£85	£85

B Details of claims and returns certified for 2011/12

Claim or return	Value (£)	Amended	Amendment Amount (£)	Qualified	Fee 2010/11 (£)	Fee 2011/12 (£)	Comments
Housing benefit and council tax benefit scheme	37,664,268	No	N/A	Yes	33,591	27,450	Less errors in 2011/12 than in the previous year. This reduced the amount of 40+ testing required.
National non-domestic rates return	37,571,002	No	N/A	No	1,255	6,060	In 2011/12 had to undertake detailed testing to comply with Audit Commission requirements.
Single programme claims					7,415	0	These claims were not certified under the Audit Commission regime in 2011/12.
Reporting to those charged with Governance and grants administration					2,476	2,183	
Total	75,235,270				44,737	35,693	

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Audit Committee Update for Carlisle City Council

Year ended 31 March 2013

15 April 2013

Jackie Bellard

Director

T 0161 234 6394 or 07880 456195

E jackie.bellard@uk.gt.com

Richard McGahon

Manager

T 0141 223 0889 or 07880 456156

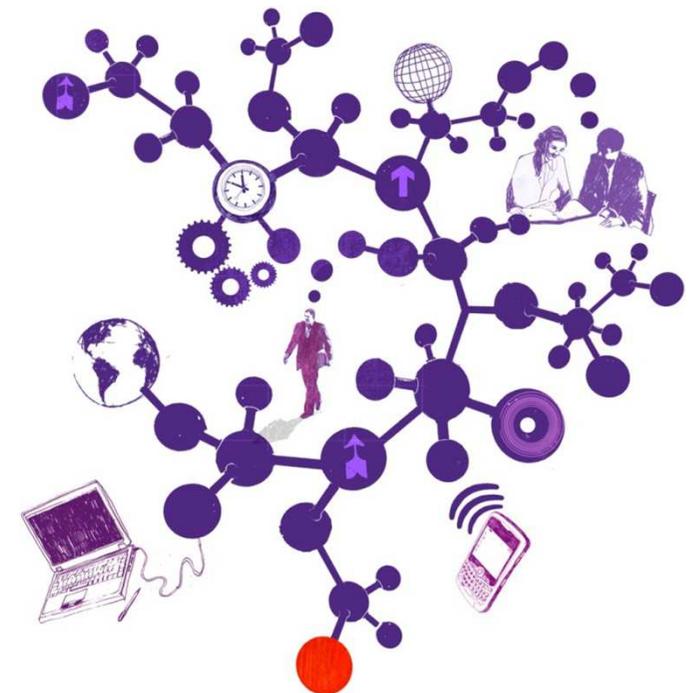
E richard.a.mcghon@uk.gt.com

John Cangle

Executive

T 0141 223 0893

E john.d.cangle@uk.gt.com



The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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Introduction

This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also includes a summary of emerging national issues and developments that may be relevant to you as a local authority that you may wish to consider.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications such as:

- Local Government Governance Review 2013
- The developing internal audit agenda
- Preparing for the future
- Surviving the storm: how resilient are local authorities?

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Audit Manager.

Jackie Bellard, Engagement Lead T 0161 234 6394 M 07880 456195 jackie.bellard@uk.gt.com
Richard McGahon, Manager T 0141 223 0889 M 07880 456156 richard.a.mcguhon@uk.gt.com

Progress at 28 March 2013

Work	Planned date	Done	Comments
<p>2012-13 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council's 2012-13 financial statements.</p>	May 2013	Partial	<p>The Audit Plan includes the results of the interim visit. The interim visit work is scheduled to be completed by mid April 2013. The Plan will be presented to the next Audit Committee after that date. This report provides an update on current progress, highlights emerging issues and gives the Audit Committee an understanding of the audit process at Grant Thornton.</p> <p>We have not identified any significant matters at this stage.</p>
<p>Interim accounts audit Our interim fieldwork visit will include the following:</p> <ul style="list-style-type: none"> • updated review of the Council control environment including Information Technology (IT) • update understanding of financial systems • updated understanding of the VAT and taxation environment • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing • proposed Value for Money conclusion. 	February to April 2013	Partial	<p>Work on the interim audit is scheduled to be completed by mid April 2013. We have discussed with Officers the key financial systems for which we need to gain an updated understanding for 2012/13.</p> <p>We have met with senior finance staff and internal audit to assess the internal control environment.</p> <p>An Information Technology risk assessment was undertaken by a Grant Thornton IT specialist.</p> <p>We are using VAT and employee services specialists to gain an understanding of the Council's VAT and taxation environment. This review commenced in March 2013.</p> <p>We had a liaison meeting with Internal Audit to discuss each other's plans.</p> <p>We have completed our initial risk assessments for our Value for Money Conclusions.</p>

Progress at 28 March 2013

Work	Planned date	Done	Comments
<p>2012-13 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2012-13 financial statements • proposed opinion on the Council's accounts • proposed Value for Money conclusion. 	1 July 2013 to early September 2013	No	We are having discussions with the Financial Services Manager and other Senior finance staff on key accounting and audit issues to assist the smooth running of the final accounts audit.
<p>Value for Money (VFM) conclusion The scope of our work to inform the 2012/13 VFM conclusion comprises:</p> <ul style="list-style-type: none"> • Securing Financial Resilience <ul style="list-style-type: none"> - Financial Governance - Financial Planning - Financial Control • Securing Economy, Efficiency and Effectiveness <ul style="list-style-type: none"> - Prioritising Resources - Improving Efficiency and Productivity • An output from this work is a 'financial resilience' report for the Council 	By early September 2013	No	<p>There are no significant changes in approach to the VFM conclusion work from that carried out in previous years. However, there is a greater emphasis on financial resilience with a separate report produced on this for your Council. It will be reported in September alongside the ISA+ 260 Audit Findings Report.</p> <p>Our detailed VFM risk assessment will direct the work we carry out.</p>

Emerging issues and developments

Accounting and audit issues

Implications of the Local Government Finance Act 2012

The Local Government Finance Act 2012 has now been given Royal Assent. The Act has amendments in two areas of local government finance:

- Council tax support will now be localised and local authorities will be responsible for implementing their own council tax reduction schemes.
- 50% of the non domestic rates collected locally will be retained by the local authority. Billing authorities will pay over a share to central government and proportionate shares to their precepting bodies.

In December 2012, CIPFA issued a [consultation](#) on proposed amendments to the 2013/14 Code of Practice on Local Authority Accounting in the United Kingdom for the implications of business rates retention schemes. In summary, the changes are to account for business rates in a similar way to council tax. The Comprehensive Income and Expenditure Statement will need to show amounts collectible by each authority. Debtors/creditors will be recognised when these amounts do not match the actual amounts paid by each billing authority over to preceptors and government. The Collection Fund adjustment account will be used for accounting for the differences. Top-ups and tariffs and the safety net and levy will be recognised as grant income or expenditure. Individual authorities in a pool will need to account for their share of income and expenditure debtors/creditors as stipulated in any agreement made by individual authorities in the pool.

Emerging issues and developments

Accounting and audit issues

Provisions

Under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets', the criteria for recognising a provision are that there is:

- a current obligation as a result of a past event;
- a transfer of economic benefit is probable; and
- a reliable estimate of the liability can be made.

We wish to highlight the following matters to you for consideration where a provision may be required:

- **Redundancy costs** –the recognition point for termination benefits fall under IAS 19 'Employee Benefits'. This is generally earlier than the IAS 37 recognition criteria for restructuring which requires that a valid expectation has been raised in those affected. The requirement in IAS 19 is that the entity is 'demonstrably committed'.
- **Mutual Municipal Insurance (MMI)** – the Scheme of Arrangement was triggered in November 2012, therefore it is now virtually certain that there will be a transfer of economic benefit. If this liability has not been discharged by 31 March 2013, we would expect a creditor to be recognised or, if the timing or amount of the payment is uncertain, a provision in the financial statements. In finalising the 2011/12 audit it was agreed that finance staff would consider whether a creditor or provision would be required for MMI as part of the production of the 2012/13 financial statements.

Emerging issues and developments

Grant Thornton

'Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities '

In December 2012, Grant Thornton published '[Towards a tipping point?: Summary findings from our second year of financial health checks of English local authorities](#)'. This financial health review considers key indicators of financial performance, financial governance, strategic financial planning and financial controls to provide a summary update on how the sector is coping with the service and financial challenges faced. The report provides a summary of the key issues, trends and good practice emerging from the review.

Emerging issues and developments

Local government guidance

Auditing the Accounts 2011/12 report

In December, the Audit Commission published '[Auditing the Accounts 2011/12](#)'. The report summarises the results of auditors' work on the financial statements of both principal and small bodies. The key finding in the report is that bodies have improved the quality and timeliness of their financial reporting in 2011/12.

Striking a balance: improving councils' decision making on reserves

In December, the Audit Commission published '[Striking a balance: improving councils' decision making on reserves.](#)' The report covers the findings from research undertaken by the Audit Commission on the level of reserves that councils hold and the decisions councils make on them.

The report encourages English councils to focus more attention on their reserves. It suggests that management should be providing more comprehensive information on reserves to elected members and councils should provide greater clarity on the reasons for holding reserves. The report includes questions for elected members that will help them in their decision making and scrutiny roles.

Emerging issues and developments

Local government guidance

Tough Times: Councils' financial health in challenging times

In November, the Audit Commission published '[Tough times 2012: Councils' financial health in challenging times](#).' This is the second report it has produced looking at how councils are dealing with the issues from the Spending Review and focuses on the financial health of councils.

The report finds that councils generally delivered on their planned savings, however, auditors reported that signs of financial stress were visible.

Protecting the public purse 2012

In November, the Audit Commission published '[Protecting the public purse 2012: Fighting fraud against local government](#)'. The report provides the results of the Audit Commission's annual survey of English local government bodies. It finds that local government bodies are targeting their investigative resources more efficiently and effectively. Local government bodies detected more than 124,000 cases of fraud in 2011/12 totalling £179m. It also reports that new frauds are emerging in areas such as business rates, Right to Buy housing discounts and schools.

The report includes a checklist for those charged with governance to use to review their counter-fraud arrangements.

If you have any fraud queries, talk to your audit manager to see how Grant Thornton could help.



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Audit Committee	Agenda Item: A.4
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Meeting Date: 15th April 2013
 Portfolio: Finance, Governance and Resources
 Key Decision: No
 Within Policy and Budget Framework: Yes
 Public / Private: Public

Title: **AUDIT COMMITTEE'S ANNUAL REPORT**

Report of: Chair of Audit Committee.
 Report Number: RD04/13

Purpose / Summary:

This report provides a summary of the work undertaken by the Audit Committee during the period 16th of April 2012 to the 11th January 2013.

Recommendations:

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

Tracking

Executive:	Not applicable.
Overview and Scrutiny:	Not applicable.
Council:	30th April 2013.

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

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 Chairman of the Audit Committee is required to present an Annual Report on the work of the Audit Committee to the full Council.

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

Conservative

Mallinson E

Nedved

Bowman

Bowman C (Substitute)

Craig (Substitute)

Parsons (Substitute)

Labour

Patrick (Chair)

Sherriff

Franklin

Bowditch

Whalen (Substitute)

Boaden (Substitute)

Stothard (Substitute)

This Report covers the meetings of the Audit Committee held on.

16th April 2012

12th July 2012

26th September 2012

11 January 2013

2 **AUDIT COMMITTEE'S PROGRAMME OF WORK.**

- 2.1 At the commencement of the year, the Committee agreed a Programme of work for the forthcoming year that outlined the areas to be considered at each meeting.
- 2.2 The Programme for the above period included the following topics that were considered at each of the meetings:

Minutes of the Corporate Resources Overview and Scrutiny Committee or latterly the Resources Overview and Scrutiny Panel – these were submitted to each meeting of the Audit Committee for information and any member comments.

Responses from the Executive/Overview and Scrutiny – these were submitted for consideration and comment.

Audit Services Progress Reports – these provided summaries of the work carried out by Audit Services since the previous meeting of the Committee. A copy of each Final Audit Report was appended to these Progress Reports, together with any relevant information relating to any follow-up reviews that had been undertaken where members' attention needed to be drawn to any outstanding recommendations and the reasons for these.

Annual Governance Statement Action Plan – this regular report appraises members of progress made on the Annual Governance Statement Action Plan.

Risk Management Policy and progress – officers have provided Members of the Committee with information relating to the work of the Corporate Risk Management Group and the updated Corporate Risk Register on a regular basis, for noting and action if necessary.

The programme also included a number of topics that are considered on an annual or an ad-hoc basis -

2.2.1 **MEETING HELD 16TH APRIL 2012.**

- The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 5 January and 16 February 2012 were submitted for information.

- Subsequent to the verbal update at the last meeting of the Committee, the District Auditor informed Members that Grant Thornton had now been awarded the contract (for a five year period) for the North West area.
- The Audit Manager (Audit Commission) presented the Annual Report on the Certification of Claims and Returns for 2010/11.
 - The Audit Manager (Audit Commission) submitted his Review of Financial Systems for the 2011/12 Audit.
 - The Audit Manager presented report RD.05/12 summarising the work undertaken by the Audit Committee during the period from 5 July 2011 to 13 January 2012.
 - The Audit Manager stated that the existence of the Audit Committee and its work programme enabled the Council to demonstrate that it was following the recommended best practice of the CIPFA Practical Guidance for Audit Committees in Local Authorities.
 - The Financial Services Manager submitted report RD.98/11 providing information regarding the final accounts process.
 - The Audit Manager submitted report RD.03/12 providing details of the updated Strategic Audit Plan and the proposed Audit Plan for 2012/13.
 - The Audit Manager submitted report RD.04/12 summarising the work carried out by Audit Services since the previous report to Committee on 13 January 2012 and detailing the progress made against the 2011/12 Audit Plan up to 31 March 2012.
 - The Financial Services Manager submitted report RD.06/12 updating the Committee on progress made to the Annual Governance Statement Action Plan.
 - The Financial Services Manager submitted report RD.90/11 providing the regular quarterly summary of Treasury Management Transactions including the requirements of the Prudential Code, as required under the Financial Procedure Rules. The report had been received by the Executive on 13 February 2012.

- Pursuant to Minute AUC.11/12, the Director of Economic Development submitted joint report with the Director of Governance (ED.18/12 / GD.22/12) setting out the main changes to the style and content of Development Control Committee reports and how those changes met the objectives of the Action Plan.

- The Deputy Chief Executive submitted report SD.05/12 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 29 March 2012.

2.2.2 MEETING HELD 12TH JULY 2012.

- Councillor Ms Patrick was duly appointed as Chairman of the Audit Committee for 2012/13 and it was also moved and seconded that Councillor Bowditch be appointed Vice-Chairman.

- The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 29 March and 14 June 2012 were submitted for information.

- The Financial Services Manager submitted report RD.22/12 providing the City Council's Annual Governance Statement for 2011/12.

- The Chief Accountant presented report RD.21/12 enclosing the Council's Statement of Accounts 2011/12 which had been certified by the S.151 Officer in accordance with statutory requirements by 30 June 2012.

- The Chief Accountant submitted the Annual Report on Treasury Management (RD.12/12). He informed Members that the report was required under both the Financial Procedure Rules and CIPFA Code of Practice on Treasury Management. The regular report on Treasury Transactions for the period 1 January 2012 - 31 March 2012 was also submitted.

- Pursuant to Minute AUC.11/12, the Director of Economic Development submitted report ED.26/12 setting out the main changes which had taken place to reports prepared by Planning Officers in relation to planning applications being considered by the Development Control Committee.

- The Audit Manager (Carlisle City) submitted report RD.16/12 summarising the work carried out by Audit Services since the previous report to Committee on 16 April 2012 and detailing progress made on delivery of the approved Audit Plan in the first quarter of 2012/13.
- The Audit Manager (Carlisle City) submitted report RD.15/12 summarising the work carried out by the Internal Audit Shared Service for the year 2011-12, together with information on the effectiveness of Internal Audit in the format agreed by the Audit Committee on 23 January 2007.

2.2.3 MEETING HELD ON 26TH SEPTEMBER 2012.

- The Minutes of the meeting of the Resources Overview and Scrutiny Panel held on 26 July 2012 were submitted for information.
- The District Auditor presented the Annual Governance Report summarising the findings from the 2011/12 audit.
- The Chief Accountant submitted report RD.38/12 attaching a Letter of Representation for 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.
- The Financial Services Manager submitted report RD.40/12 updating Members on a number of consultations taking place over the summer period regarding the Local Audit Bill and other consultations.
- 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.
- 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 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.
- 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.

2.2.4 MEETING HELD ON 11TH JANUARY 2013.

- The Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 30 August, 18 October and 4 December 2012 were submitted for information.
- The Executive had given consideration to Minute Excerpt AUC.126/12, and noted that the Carlisle Airport Action Plan had been implemented to the satisfaction of the Audit Committee; and that the Committee would no longer monitor the position.
- The Financial Services Manager presented, for information, the Audit Practice's Annual Audit Letter for the City Council, the purpose of which was to summarise the findings from the 2011/12 audit.
- The Audit Commission had set its proposed work programme and scales of fees for 2012/13; and the Director outlined details of the audit fee for the Council, along with the scope and timing of the work, Value for Money conclusion and details of their Team.
- The Financial Services Manager reported that the Department for Communities and Local Government had, on 6 July 2012, published the draft Local Audit Bill for consultation. The draft Bill set out the Government's proposals for a new local audit framework for public bodies, including the appointment of their auditors.

- The Financial Services Manager submitted report RD.71/12 providing an update on the governance arrangements relating to the Shared Internal Audit Service.
- The Financial Services Manger submitted report RD.65/12 providing information regarding the 2012/13 Final Accounts process.
- The Audit Manager (Carlisle City) submitted report RD.69/12 summarising the work carried out by Audit Services since the previous report to Committee on 26 September 2012 and detailing progress made on delivery of the approved Audit Plan in the third quarter of 2012/13.
- The Financial Services Manger submitted report RD.60/12 setting out the Council's Treasury Management Strategy Statement for 2013/14 in accordance with the CIPFA Code of Practice on Treasury Management.
- The Financial Services Manager submitted report RD.47/12 providing the regular quarterly summary of Treasury Management transactions for the second quarter of 2012/13, including the requirements of the Prudential Code.
- The Financial Services Manager submitted report RD.72/12 updating Members on the Council's governance arrangements and its systems of internal control in line with CIPFA's Good Governance Framework.
- The Deputy Chief Executive submitted report SD.01/13 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 18 October 2012.

3 CONSULTATION

None

4 CONCLUSION AND REASONS FOR RECOMMENDATION.

4.1 The existence of the Audit Committee and its work programme enable the Council to demonstrate that it is following the recommended best practice in respect of the CIPFA Practical Guidance for Audit Committees in Local Authorities. The Committee has strengthened the Council's internal control process through its ability to ensure that

systems and controls are robust, that challenges are raised as appropriate, and that adequate follow-up procedures are in operation in relation to Audit recommendations. This has been noted and commented on by the Audit Commission's Audit Manager.

4.2 It is recommended that the Audit Committee note and accept this report.

5 CONTRIBUTION TO THE CARLISLE PLAN PRIORITIES.

5.1 To ensure that good governance arrangements are in place to underpin the delivery of Carlisle City's Priorities.

Contact Officer: Gill Martin Ext: 7294
Audit Manager
Shared Internal Audit Services

**Appendix A – Rules
of Governance
attached to report:**

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:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

Appendix A

AUDIT COMMITTEE 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 Audit Services Manager'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 the Audit Commission 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 financial Codes of Conduct and Behaviour.

To review any issue referred to it by the Town Clerk and Chief Executive or a Director, 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 and to recommend its adoption.

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 published standards and controls.

2.3 Accounts

To review the Annual Statement of Accounts and to make recommendations to Council in respect of the approval of the Statement of Accounts. Specifically 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 consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

3. ACCOUNTABILITY

- 3.1 The Audit Committee will be a stand alone Committee of the Council. All Audit Committee members will act in the interests of the Council and not on behalf of any political party, constituency, ward, or interest group.
- 3.2 The Chairman of the Audit Committee will be appointed by the Committee. The Chairman and the Committee will 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 Chairman of the Audit Committee will 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 will not be able to transact the powers, functions and duties reserved to the full Council, the Executive, Overview and Scrutiny and other Regulatory Committees.
- 4.3 The Audit Committee will have access to in-house financial, legal and any other professional advice necessary to carry out its functions.
- 4.4 The Chairman of the Audit Committee and the external and internal auditor will meet as necessary and the Council's Audit Services Manager will 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 Chairman of the Committee who will obtain, if necessary, relevant advice from the Council's Monitoring Officer or the Section 151 Finance Officer before taking any action with regard to the same.

5. MEMBERSHIP

- 5.1 Audit Committee members will 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 will be eligible to be a member of the Audit Committee.
- 5.2 The Audit Committee will be provided with administrative support by the Governance Directorate and reports/decisions of the Audit Committee will be recorded and published on CMIS in the usual way. The Resources Directorate will provide technical support to the Committee when required. As the decisions of the Audit Committee will not be of an executive nature, the decisions will 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 Chairman of the Audit Committee, the Monitoring Officer, the Section 151 Finance Officer and/or ask an oral question of the Chairman 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 will usually include:
- The Leader or Deputy Leader
 - The Portfolio Holder for Finance
 - Town Clerk and Chief Executive
 - Director of Resources (Section 151 Finance Officer)
 - Director of Governance (Monitoring Officer)
 - Audit Services Manager
 - Other Directors 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 will 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 will meet at least four times a year in accordance with the schedule of meetings agreed by the Council. The External Auditor or the Audit Services Manager 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 will commit to receiving appropriate training and development necessary to fulfil their roles.

8. QUORUM

- 8.1 The quorum for any meeting will 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 Audit Services Manager.

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 Item: A.5
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Meeting Date: 15th April 2013
 Portfolio:
 Key Decision:
 Within Policy and
 Budget Framework
 Public / Private Public

Title: **STRATEGIC AUDIT PLAN AND AUDIT PLAN FOR 2013/14**

Report of: Director of Resources
 Report Number: RD06/13

Purpose / Summary:

This report provides details of the updated Strategic Audit Plan and the proposed Audit Plan for 2013/14.

Recommendations:

Members are requested to:

- Note the report.
- Approve the Internal Audit Plan for 2013/14 attached as APPENDIX A

Tracking

Executive:	Not applicable
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1. **INTRODUCTION**

- 1.1. Under Section 151 of the Local Government Act 1972 and Section 114 of the Local Government Finance Act 1988, the Director of Resources is statutorily responsible for the proper administration of the Council's financial affairs.
- 1.2. In addition, the Accounts and Audit Regulations 2011, require the Council to *"undertake an adequate and effective internal audit of its accounting records and of its systems of internal control in accordance with the proper practices in relation to internal control"*.
- 1.3. Audit Services is an important resource in enabling the Director of Resources, the Audit Committee and the Council to fulfil their duties and it is important to ensure that the work of Audit Services is effective so as to give assurance of the probity of the Council's financial affairs. This applies whether these audit services are undertaken fully in-house, via a bought in or managed service or through shared service arrangements.
- 1.4. Carlisle City Council, Cumbria County Council and Copeland Borough Council adopted a shared internal audit service approach in December 2010 to help facilitate an effective system of internal control. The Cumbria Police Authority joined the Shared Internal Audit Service in autumn 2012. The Shared Service also delivers internal audit services to three other clients; the Lake District National Park and, from April 2013, Eden District Council and South Lakeland District Council.
- 1.5. The Audit Plan for 2013/14 has been formulated for Carlisle City Council on the basis of the direct audit days available under this shared service arrangement.
- 1.6. It is appropriate that the annual Audit Plan should be presented to and approved by the Audit Committee at the start of each financial year. This gives Members the opportunity to question the Director of Resources who carries Section 151 responsibility and the Audit Manager on the proposed programme of Internal Audit work for the forthcoming year. It is also appropriate for Members of the Audit Committee to consider the Audit Risk Assessment (Strategic Plan).
- 1.7. Members should note that performance against the 2013/14 Audit Plan, together with any issues arising, will be reported to the Audit Committee on a quarterly basis.

2. STRATEGIC PLAN

- 2.1. The Relevant Internal Audit Standard Setters (which includes CIPFA) have adopted a common set of Public Sector Internal Audit Standards (PSIAS) from 1 April 2013. The Authority is required to comply with the new standards. The standard 2010.A1 states that *“The internal audit activity’s plan of engagements must be based on a documented risk assessment, undertaken at least annually. The input of senior management and the board must be considered in this process.”*
- 2.2. This Council follows the above approach, which accords with current thinking in the Audit Profession and plans only for one year ahead, based on the perceived and changing risks that the Council is facing at any given time.
- 2.3. Risk Assessment Model utilised by Carlisle City is in line with a version that was endorsed by CIPFA and by the Institute of Internal Auditors (IIA-UK). Full details of the Model are available to members on request.
- 2.4. The Strategic Plan (entitled “Audit Risk Assessment – Strategic Risk Based Plan”) has been prepared in line with best audit practice. Individual audit areas featured in the Strategic Audit Plan have been updated based on:
- Risk impact and likelihood as detailed in the Corporate and Operational Risk Registers
 - Known changes to management, systems and procedures;
 - Findings arising from previous audit reviews, last time reviewed, likely benefits of an audit in this area etc.
 - Current cost of the service, the amount of income generated and number of transactions processed.
- 2.5. It is stressed that this Strategic Risk Based approach to audit planning does **not** provide coverage of all audit areas within a given period. Instead, this Model is dynamic and to some extent subjective in areas. It identifies the “risk-areas” which can be addressed over any given timescale, ad-hoc demands etc, with the amounts of audit resources available for the year.
- 2.6. Discussions have been held with all Directors regarding the Strategic Audit Plan for their respective directorates and their comments have been incorporated into the planning arrangements. Reference has been made to those systems that have been identified by directorates as being business critical.

3. ANNUAL AUDIT PLAN 2013/14

3.1. The Audit Plan for 2013/14 provides 540 direct audit days to Carlisle City Council. The coverage of the Annual Plan is derived from the outcome of the strategic planning process outlined in section 2. The Senior Management Team has had the opportunity to comment upon the contents of the Draft Annual Plan.

3.2. The Draft Annual Audit Plan 2013-14 is attached as **Appendix A**. The figures below show how the total audit time will be utilised during 2013/14:

	No. Planned Audits	Planned Days	% of Plan	
<i>Planned Audits:</i>				
Risk based audit reviews	13	182	34	<i>See para 3.2.1.</i>
Main Financial Systems	11	148	27	<i>See para 3.2.2.</i>
Value for Money / Efficiency	2	40	7	<i>See para 3.2.3.</i>
ICT	2	25	5	<i>See para 3.2.4.</i>
National Fraud Initiative	1	15	3	.

Other Time:

Audit Management, Planning, Committee	-	50	9	<i>See para 3.2.5.</i>
Project Support		20	4	<i>See para 3.2.6.</i>
Counter Fraud	-	10	2	
Contingency	-	40	7	<i>See para 3.2.7.</i>
Follow ups	-	10	2	

Total Planned Audits / Days	29	540	100%	
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3.2.1. There are 13 “high risk” audits for completion as part of the 2013-14 Audit Plan. This includes 6 formal follow up audits on ‘restricted’ audits which were delivered in 2012-13. Emphasis of the high risk audits is on the effectiveness of in house monitoring regimes (e.g. contract, performance etc).

3.2.2. The main financial systems are fundamental to attaining good corporate governance and stewardship in achieving accountability and transparency. These systems have a high impact on the main financial system and therefore on the Authority’s accounts. These reviews are undertaken regardless of their “risk-score” on an annual basis and External Audit place reliance on this work. There are 11 material audits scheduled for completion in 2013-14. It should be noted that (Housing) Improvement Grants is no longer considered to be a ‘material’ system, as the levels of expenditure in this service area are no longer exceed the financial ‘material value’ threshold.

Appendices A
attached to report:

CORPORATE IMPLICATIONS/RISKS:

Chief Executive's – not applicable

Community Engagement – not applicable

Economic Development – not applicable

Governance – not applicable

Local Environment – not applicable

Resources – not applicable

CARLISLE CITY COUNCIL
DRAFT AUDIT PLAN 2013/14

Directorate	Audit Days Allocated	Audit Area	Follow up of 2012-13 audit work
<u>Risk Based Reviews</u>			
Community Engagement	15	Revenues Recovery (to include Housing Benefit Overpayments)	
Community Engagement	12	Customer Contact Centre	Y
Community Engagement	10	Leisure Services Contract	Y
Community Engagement / Economic Development	20	Projects and Partnerships - Stewardship arrangements	
Governance	10	Electoral Payments	
Local Environment	10	Carlisle Cycle Way	Y
Local Environment	15	Recycling Contracts	Y
Local Environment	15	'Clean up Carlisle' - Street Cleaning (education and enforcement)	
Resources	20	Procurement - Tendering and Contracting	Y
Resources	15	External Funding - Compliance and Monitoring Arrangements	
Corporate	15	Records Management Arrangements	Y
Corporate	10	Performance Management - Service Standards	
Corporate	15	Organisational Development & Corporate Training	
	182		

Directorate	Audit Days Allocated	Audit Area
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Value for Money and Efficiency Reviews

Corporate 20 Improvement, Efficiency and VFM Programme

Corporate 20 Charging and Trading - income generation

40

Main Financial System Reviews:

Community Engagement 12 Council Tax

Community Engagement 20 Housing and Council Tax Benefits

Community Engagement 12 National Non Domestic Rates (NNDR)

Resources 20 Main Accounting System (inc Budget Monitoring and Bank Reconciliation)

Resources 15 Fixed Assets

Resources 10 Creditors

Resources 10 Debtors

Resources 12 Payroll

Resources 10 Treasury Management

Resources 12 Income Management

Local Environment 15 Car Parking Income (On and Off street including Contract Parking)

148

ICT Reviews

Resources - ICT Connect 10 Project Management

Resources - ICT Connect 15 IT Developments - use of electronic forms

25

Directorate	Audit Days Allocated	Audit Area
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Project Support

Community Engagement	5	Welfare Reform Changes
Resources	15	Procurement – e Purchasing
	20	

Fraud

Corporate	15	National Fraud Initiative
Corporate	10	Counter Fraud Arrangements / Awareness
	25	

Other

Audit Management, Committee, Planning & Reporting	50
Follow Up of Previous Recommendations	10
Contingency	40
	100

Total Direct Audit Days 2013-14	540
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Audit Committee

Agenda
Item:

A.6

Meeting Date: 15th April 2013
 Portfolio: Finance, Governance and Resources
 Key Decision: No
 Within Policy and Budget Framework: Yes
 Public

Title: Audit Services Progress Report 2012-13 (No. 4)
 Report of: Director of Resources
 Report Number: RD05/13

Purpose / Summary:

This report summarises the work carried out by Audit Services since the previous report to Committee on 11th January 2013 and details the progress made on delivery of the approved Audit Plan during the fourth quarter of 2012/13.

Recommendations:

Members are requested to receive this report and note the progress made against the agreed 2012/13 Audit Plan.

Tracking

Executive:	Not applicable
Overview and Scrutiny:	Not applicable
Council:	Not applicable

1 BACKGROUND

- 1.1 Management is responsible for the system of internal control and should put in place policies and procedures to ensure that systems are functioning correctly.
- 1.2 Internal Audit examine, appraise and report on the effectiveness of financial and other management controls to enable it to provide an opinion on the adequacy of the control environment and report any significant control issues.
- 1.3 This report summarises the work carried out by Audit Services since the previous report to Committee on 11th January 2013. It provides details on the progress made on delivering the 2012/13 Audit Plan.

2 AUDIT PERFORMANCE AGAINST THE 2012/13 AUDIT PLAN

- 2.1 The 2012-13 Strategic and Annual Risk Based Audit Plans were presented to the Audit Committee on 16th April 2012 – report RD 03/12 refers.
- 2.2 To assist Members in monitoring the progress made against the agreed Audit Plan, **Appendix A** illustrates the current position of the Plan up to 8th March 2013.
- 2.3 The key points are:
 - The Plan calls for 540 direct audit days to be delivered in 2012/13 – 546 days have been delivered, which is 6 days over the annual target. Further (planned) audit days are necessary up to the end of March in order to complete the remaining work on the material financial systems reviews.
 - Investigatory work has had some impact on planned work during 2012/13. Some of this time has been met by redirecting planned audit days from other areas of the Audit Plan and also through an element of available contingency time. There is, however, are some additional (unplanned) days to be charged for separately. The Director of Resources has been kept informed on the progress made regarding these investigations and is aware of these additional unplanned days to be charged resulting from this work.
- 2.4 Members are asked to note the progress made against the agreed 2012/13 Audit Plan

3 AMENDMENTS TO THE 2012/13 AUDIT PLAN

- 3.1 At this point of the year it is necessary to revisit the Plan and determine which audits are yet to be completed.
- 3.2 There are 3 audits which have not yet commenced and there is insufficient time to start these before the year end due to other work priorities. These have been rolled forward to 2013-14 Audit Plan
- Electoral Registration.
 - Transformation – this will now be examined as part of the wider review of Improvement, Efficiency and VFM Programme
 - ICT Project Management.
- 3.3 The Director of Resources, after discussions with the Senior Management Team, has agreed the above changes. Members are asked to note these amendments to the 2012/13 Audit Plan.

4 AUDIT OF CUSTOMER SERVICES

- 4.1 As the 'face' of the Council, Customer Services has a pivotal role in delivering high level services and helping the Council meet its corporate objectives. The Customer Services arrangements in place at Carlisle City may be considered 'flag ship' standard, particularly in its developments around partnership working with other agencies and authorities.
- 4.2 The audit of Customer Services was conducted following a very detailed briefing session with management. The scope of the audit was set at a very high level and focused on the strategic planning and direction of the service in the following 5 key areas:
1. Review of the Strategy and future plans in place for Customer Services.
 2. Examination of the policies and procedures in place for Customer Services.
 3. Establish whether the Customer Services makes full use of all information technology available to provide an efficient, 'joined up' service for the public.
 4. Arrangements in place for engaging with partner organisations.
 5. Confirmation that Customer Services activity is managed against a set of performance indicators.
- 4.3 The final report was issued in September 2012; there were 6 grade B recommendations and a restricted assurance was reported at that time.

- 4.4 Progress to finalise the audit report was delayed in some parts. It was evident at the draft reporting stage and the responses received from management to the recommendations in the action plan that matters were moving forward in this area. As a constantly changing and evolving service area, particularly in current times when the Service is, amongst other things, dealing with the adoption of new legislation and other in house service changes, it is essential that the audit opinion provided should be reflective of the current service provision.
- 4.5 To this end, a formal follow up of the agreed actions arising from the review of Customer Services will be undertaken in April 2013. Any matters arising from the follow up will be combined with the initial audit findings and reported to the Audit Committee at its meeting in July 2013.
- 4.6 The Deputy Chief Executive and the Director of Resources have commented upon and agreed to this approach. Members are asked to note this intended action.

5 FOLLOW-UP OF PREVIOUS AUDIT RECOMMENDATIONS

- 5.1 A revised system for the follow up of audit recommendations is now in operation which utilises Covalent, the corporate performance management system.
- 5.2 This revised arrangement puts the onus on managers to feedback on the action which they have taken within the agreed timescales to effectively implement the recommendations to which they are assigned responsibility.
- 5.3 Importantly this arrangement only affects audits with substantial and reasonable assurance ratings. Those audits with restricted (and limited) assurance are formally followed up and reported on separately by Audit Services. Also, those recommendations arising from the material financial system reviews are routinely followed up and reported on as part of the next years' audit findings. For example 2011-12 material audit recommendations will be followed up and reported in the 2012-13 audit reports (see Appendix H as an example).
- 5.4 There are no matters to be brought to members' attention regarding the follow up of audit recommendations via Covalent. Audit Services continue to work with managers to assist them with this new arrangement.
- 5.5 The audits of Tendering and Contracting and the Carlisle Cycle Scheme (aka Connect 2 Cycle Scheme) were both restricted assurances which require formal follow up. In line with agreed audit practice for audits with restricted assurances,

these two audits will be subject to formal audit follow up procedures. These follow ups will be completed in quarter 1 of 2013-14, the outcomes of which will be reported to Members once finalised.

- 5.6 Members are asked to note the revised arrangements for follow up of previous recommendations and the current status of these.

6 AUDIT REPORTING ARRANGEMENTS

6.1 The Shared Internal Audit Service is constantly looking at ways to improve its audit operations and reporting methods. In doing so, the following changes are suggested to the Audit reporting arrangements at Carlisle City in 2013-14.

- Whilst all audit reports are cleared by service managers and the relevant Directors, it has been agreed that from January 2013 all final audit reports with *restricted* assurance will be forwarded to the Senior Management Team to be noted. This additional measure will strengthen existing audit reporting arrangements and help to provide corporate support and management 'buy in' to more critical audit findings.
- The provision to make grade D audit recommendations is present within Carlisle City's audit reporting arrangements. These recommendations are 'for consideration only - action at the manager's discretion'. Grade D recommendations are not subject to the standard audit follow up procedures as they do not directly relate to matters of internal control. In essence they are seen as audit suggestions rather than audit recommendations.

In future such audit suggestions will be flagged in the main body of the audit report but no recommendation regarding the matter will be made. Future reference to grade D audit recommendations will be removed from the reporting arrangements.

- The term 'restricted' assurance will be changed to 'partial' assurance. This change will align the terminology used at Carlisle City with others in the Shared Internal Audit Service and it will also bring the assurance term more in line with the revised definition which was agreed by the Audit Committee at its meeting on 26th September 2012 - refer to Appendix B for the audit assurance definitions.
- Members of the Audit Committee currently receive the findings from completed audit reports via appendices attached to the Audit Progress report. This

approach can be difficult to follow and result in unnecessary lengthy narrative and paper bulk.

It is suggested that key findings from each audit review will now be presented within the Audit Progress report in the following format:

Audit of:	
Assurance Rating:	No. of Audit Recommendations: Grade A - Grade B - Grade C -
Keys Findings:	
Audit Follow Up Action to be Taken:	

This improvement will enable Members to focus more easily on the salient points relevant to each completed audit. The Summary of Recommendations / Agreed Action Plan arising from each audit (where applicable) will continue to be attached as an Appendix for members' consideration.

7 REVIEW OF COMPLETED AUDIT WORK

- 7.1 Guidance on the grading of audit recommendations, the audit follow up procedure and audit assurance ratings is attached as **Appendix B**.
- 7.2 An abbreviated Management Summary and a copy of the Summary of Recommendations / Action Plan are attached to this report for each completed audit listed below.
- 7.3 There are 8 audit reports to be considered by Members at this time:

<u>Audit of:</u>	<u>Assurance</u>	
Council Tax	Substantial	Appendix C
Treasury Management	Substantial	Appendix D
Systems Administration	Reasonable	Appendix E
Bereavement Services	Reasonable	Appendix F
Car Parking Income	Reasonable	Appendix G
Leisure Services Contract	Restricted	Appendix H

Recycling
Bring Sites

Restricted
Restricted

Appendix I
Appendix J

- 7.4 Members' attention is drawn to the three restricted assurances (appendices H-J) which highlight a 'themed' weakness in the area of client monitoring and performance reporting arrangements of key service contracts.
- 7.5 An outline of the findings arising from the audit of the Leisure Services Client Contract Monitoring arrangements have previously been received by the Resources Overview and Scrutiny Panel in January 2013 and members' concerns from a scrutiny perspective have been raised.
- 7.6 This contract monitoring 'theme' is a corporate concern and the matters arising from these audit reports have been considered in full by the senior management team.
- 7.7 The detailed action plans which have resulted from these contract monitoring reviews will be formally followed up by Audit Services in quarter 3 2013-14 and an update on the progress made will be reported to the Audit Committee once these follow ups are finalised.

8 CONSULTATION

Not applicable

9 CONCLUSION AND REASONS FOR RECOMMENDATIONS

9.1 It is recommended that Members:

- Receive this report and note the progress made against the agreed 2012/13 Audit Plan referred to in section 2 and as illustrated in **Appendix A**.
- Note the changes made to the 2012/13 Audit Plan as outlined in section 3.
- Note the arrangements in place to revisit Customer Services, as detailed in section 4, to deliver an up to date audit opinion on this service area.
- Note the revised arrangements for follow up of previous recommendations and the current status of these as outlined in section 5.
- Consider / approve the changes to the audit reporting arrangements as detailed in section 6.
- Receive the completed audit reports referred to in section 7, which are attached as **Appendix C to J**.

CARLISLE CITY COUNCIL
AUDIT PLAN 2012/13 – Q4 Monitoring Report

Directorate	Section	Audit Area	Target Days	Actual days to 8.3.13	Current Status	Assurance Provided
Chief Executive's Office	Policy & Performance	Data Quality & Records Management	12	19.3	Completed	Reasonable / Restricted
Community Engagement	Community, Housing & Health	Supporting People	15	16.3	Draft	
Community Engagement	Community, Housing & Health	HB Overpayments	10	22.7	Completed	Reasonable
Community Engagement	Community, Housing & Health	Leisure Time Client	10	26.4	Completed	Restricted
Community Engagement	Customer Services	Customer Services	12	3.7	Completed	Restricted
Community Engagement	Museums and Gallery	Tullie House	5	2.9	Completed	Reasonable
Economic Development	Planning	Development Management	15	16.2	Completed	Reasonable
Governance	Democratic Services	Electoral Registration & Administration	10	0.1	Deferred 13-14	
Governance	Governance	Gifts & Hospitality	5	9.4	Completed	Reasonable
Local Environment	Bereavement Services	Cemeteries & Crematorium	12	24.9	Completed	Reasonable
Local Environment	Highways	Highways - Contract & Claimed Rights	15	11.1	Completed	Substantial
Local Environment	Highways	Street Cleaning	0	1.9	Cancelled	
Local Environment	Highways	CCTV	10	15.3	Completed	Reasonable
Local Environment	Waste Services	Recycling	20	29.9	Completed	Restricted
Local Environment	Waste Services	Bring Sites	10	10.7	Completed	Restricted
Local Environment	Waste Services	Refuse Collection		0.3	Cancelled	
Resources	Corporate	Grants Protocol / Procedures	10	17.8	Completed	Restricted
Resources	Corporate	Transformation	15	0.0	Deferred	

Resources	Corporate	Early Retirement & Redundancy	10	16.1	2013-14	Completed	Reasonable
Resources	Corporate	Systems Administration	10	14.5	Completed	Completed	Reasonable
Resources	Corporate	Market Rents	5	7.1	Draft	Draft	Reasonable
Resources	Financial Service	Procurement	15	10.7	Ongoing	Ongoing	
Resources	Corporate	Tendering & Contracting	10	-	Ongoing	Ongoing	
<i>Material Reviews:</i>							
Community Engagement	Revenues & Benefits	Council Tax	12	13.8	Completed	Completed	Substantial
Community Engagement	Revenues & Benefits	Housing and Council Tax Benefits	16	9.7	Draft	Draft	
Community Engagement	Revenues & Benefits	National Non Domestic Rates (NDR)	12	6.7	Draft	Draft	
Community Engagement	Community, Housing & Health	Improvement Grants	8	9.3	Completed	Completed	Reasonable
Local Environment	Highways	Car Parking Income	10	18.9	Completed	Completed	Reasonable
Resources	Financial Services	Asset Management / Fixed Assets	15	6.1	Ongoing	Ongoing	
Resources	Financial Services	Income Management	12	11.0	Draft	Draft	
Resources	Financial Services	Main Accounting System	14	1.5	Draft	Draft	
Resources	Financial Services	Treasury Management	10	2.9	Completed	Completed	Substantial
Resources	Service Support	Creditors	10	7.3	Draft	Draft	
Resources	Service Support	Debtors	10	0.7	Draft	Draft	
Resources	Service Support	Payroll	12	23.3	Draft	Draft	
<i>ICT Reviews:</i>							
		Service Continuity,	10	15.6	Draft	Draft	
		Project Management	10	0.0	Deferred	Deferred	
		Service Desk, Incident & Problem Management	10	8.3	2013-14	2013-14	
					Draft	Draft	
<i>Other:</i>							

Audit Management, Committee, Planning & Reporting	45	48.4	Ongoing
Follow Ups	10	11.9	Ongoing
Counter Fraud	10	3.9	Ongoing
Contingency	48	49.2	Ongoing
Other unplanned work	20	38.8	Ongoing
Total Audit Days - Target / Actual	540	564.7	

Understanding Grading of Audit Recommendations and Assurance Levels

(1) Audit Recommendations

Each audit recommendation arising from an audit review is allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of or failure to comply with a key control leading to a fundamental weakness. and /or non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of or failure to comply with a system control leading to a significant system weakness.
C	Lack of or failure to comply with any other control leading to system weakness.
D	For consideration only - action at manager's discretion.

Where audit recommendations are arising from an audit review, a Summary of Audit Recommendations is attached to the audit report in the form of an Action Plan. This Action Plan is required to be completed by the lead client officer and provide details of proposed action to be taken to address the recommendation, the timescales for implementation and name of the responsible officer.

Internal Audit follow up all audit recommendations 6 months after the issue of the final report, with the exception of the material system reviews which are followed up as part of the next annual audit. When it is considered that insufficient or no action taken has been taken to address audit recommendations and there is no good reason to support the lack of action, the matter is reported to the Audit Committee.

(2) Audit Assurance Levels

Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. Internal Audit's assessment of internal control forms part of the annual assessment of the system of control, which is now a statutory requirement. The assurance level given to an audit area can be influenced by a number of factors including stability of systems, number of significant recommendations made and impact of not applying audit recommendations, non adherence to procedures etc.

The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.



AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council
and Copeland Borough Council*

FINAL REPORT

Audit of Council Tax

2012-13

Draft Report Issued: 19th March 2013

Final Report Issued: 3rd April 2013

1. REASON FOR THE AUDIT

- 1.1. The audit of Council Tax forms part of the annual programme of material system reviews. External Audit place reliance on the work undertaken by Audit Services on the material reviews to support the audit of the Statement of Accounts.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Graham Jordan.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Mike Toner, Revenues Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Keith Gerrard, Director of Community Engagement	Report to be noted.
Reg Bascombe, Revenues and Benefits Partnership Manager	Report to be noted.
Alison Taylor, Financial Services Manager	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Steven Tickner, Chief Accountant	Report to be noted.
Peter Mason, Director of Resources	Report to be noted.

- 2.3. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 15 th April 2013.

3. BACKGROUND INFORMATION

- 3.1. Carlisle City is a billing authority for Council Tax, the amount of which is established by Cumbria County Council, Carlisle City Council, the Police Authority and the Parish Councils who each work out the cost of providing their services each year.
- 3.2. In 2012/13, Cumbria County Council set the largest part of the Bill at 74.7%, Carlisle City Council set 12.4% of the Bill and Cumbria Police setting 12.9% of the Bill. Parishes set their individual precepts on top of the basic Council Tax Bill.
- 3.3. The "Capita-Connect" module integrates with the Academy system. The on-line service option was purchased 4 years ago and there are no on-going support costs as the module will be supported as part of the Academy package.

- 3.4. The Academy Council Tax On-line service module enables customers to log on and view Council Tax details, view bills, payment history, set up Direct Debits and register for e-billing.
- 3.5. This service went 'live' for users in January 2013 and it is envisaged, once evaluated that the facility will be rolled out to NNDR initially followed by Housing Benefits, Waste Services etc. (i.e. most customer contact services).
- 3.6. Once the on-line account is set up, users can view their Council Tax details and it will offer 4 options:-
 - a) Make an online payment.
 - b) Report a change of address.
 - c) Sign up for Direct Debit.
 - d) Search for Council Tax band.

4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review are summarised in Section 8 and detailed findings are shown in Section 9 of this report – Matters Arising:

Section	Area Examined
1.	Valuation
2.	Liability
3.	Billing
4.	Recovery & Enforcement
5.	Collections & Refunds

- 4.2. The scope and testing undertaken as part of this review reflects identified risks specific to Council Tax which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to operational risk registers should be made. If risks are of a strategic nature, these will be reviewed by the Corporate Risk Management Group.

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1 An audit of Council Tax was previously carried out in 2011/12. Appendix A lists the recommendations made and the actions which have been taken to address these.
- 5.2 Action has been taken to effectively implement 3 of 5 previous audit recommendations made. Progress is being made to implement the 2 outstanding actions by 31 March 2013 and 30 April 2013; one relates to undertaking spot checks on transfer balances and the other relates to the clearance of outstanding balances on the Council Tax Suspense Account from 2007/08 to-date.

6. RECOMMENDATIONS

- 6.1. Each recommendation are allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness.
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	For consideration only - action at manager's discretion.

**A fundamental weakness includes non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).*

- 6.2. There are 2 recommendations arising from a review of previous audit recommendations: 2 at Grade C.
- 6.3. There are no audit recommendations arising from this review.

7. STATEMENT OF ASSURANCE

- 7.1. Audit assurance levels are applied to each review to assist Members and officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

- 7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Council Tax provide **Substantial** assurance.
- 7.3. Internal Audit noted from the areas examined and tested no areas have been identified where improvements are required.

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 8.1. The **substantial** assurance level given to an audit area is influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 8.2. From the areas examined and the testing undertaken, there were no key issues arising from this review.

9. DETAILED FINDINGS & RECOMMENDATIONS

9.1. Valuation

Method of Review:

Discussed with Revenue staff and confirmed:

- *that copies of the Council Tax Regulations (Local Government Finance Act 1992) are accessible to all staff; and*
- *all staff are aware of their presence, their purpose and where they can be accessed.*

Selected a sample of 10 properties from the Valuation list and checked:

- *to the relevant CT record that details of the banding group agree,*
- *that the property has been allocated a unique reference number on the list and the CT system.*

Walked through the arrangements for new/amended properties and confirmed that where the new building or the amendment:

- *could reasonably have been expected to be completed within 3 months, that a completion notice was being issued to the owner; and*
- *was not expected to be completed within 3 months that the details were referred to a visiting officer to follow up.*

Select for a sample of 10 new/amended properties from building control and planning reports and checked:

- *that they were promptly referred to the VO; and*
- *they were correctly recorded on the CT system;*

Selected a sample of 10 properties from schedules sent to the VO of properties requiring amendments and checked:

- *there is evidence that action was being taken by the VO; and*
- *where no action was taken, the case was satisfactorily followed up.*

Selected a sample of 21 new properties, deletions and amendments(7 from each) from the schedules and confirmed that:

- *the CT property history file was updated promptly;*
- *all details, including effective dates and revised bandings, were input accurately.*

Notifications to the Valuation Office

9.1.1 The VO provides weekly schedule listings all new, amended and deleted properties within the District.

9.1.2 Testing of a sample of 10 properties from the weekly schedule noted :

- 2 properties had been promptly referred to the VO and were correctly recorded on Academy; and
- for the remaining 8 properties Building Control and Planning records show "VO" outstanding.

9.1.3 A file of outstanding proposals to the VO is maintained and regularly monitored by the Revenues Officer to ensure that they are followed up and registered on Academy as soon as the necessary information is received back from the VO. It was advised that as all 8 properties had structural alterations no further follow up action can be taken until on a material sale of these or a similar properties takes place and the realised sale price can be used as a guide. This is in accordance with Council Tax legislation.

9.1.4 Testing of a sample of 6 properties, dated May 2010, from the Outstanding Proposals to the VO file noted that:

- For 1 property there is evidence that action had been taken by the VO and Internal Audit verified the properties details were correctly recorded on Academy; and
- For the remaining 5 properties records show "VO" outstanding.

9.1.5 It was advised that for the 5 remaining properties, all had structural alterations and no further follow up action can be taken until on a material sale of these or a similar properties takes place and the realised sale price can be used as a guide.

Reconciliations and checks

9.1.6 The Revenues Officer reviews the control total report weekly, whenever a schedule is received from the VO. This control report lists all the bands (A-H) and the number of properties within that bandwidth at that point in time. This report is compared to the Academy Band Analysis report to verify all amendments have been updated, any discrepancies are identified and remedial action is taken. Testing verified that on the 26th November 2012 both reports reconciled.

9.1.7 **Conclusion – satisfactory arrangements are in place regarding valuations.**

9.2. Liability

Method of Review:

Discussed with Revenue staff and confirmed:

- that copies of the Council Tax Regulations (Local Government Finance Act 1992) are accessible to all staff; and
- all staff are aware of their presence, their purpose and where they can be accessed.

Selected a sample of 10 council tax accounts and checked that:-

- the recognised 'hierarchy of liability' approach was consistently used to identify the correct person as the liable person;
- the owner was made liable for certain classes of dwelling;
- the liability person was allocated a unique reference number linked to the chargeable property;
- liability for CT was determined on a daily basis; and
- a decision notice was issued to the liable person/s.

Reviewed the recent death lists, selected a sample of 6 accounts and confirmed that:-

- CT regularly receives the lists;
- the relevant account was updated;
- liability ceased on the day before the date of death;
- the executor or administrator was issued with a demand notice and made liable to pay any sum outstanding before the date of death; and
- the amount outstanding was reclaimed from the estate of the deceased.

Selected a sample of Single Person Discount (SPD) cases receiving a form of discount and confirmed that:-

- the discount and the reasons for such are clearly shown on the taxpayer's account;

- the discount is supported by a formal signed application and relevant evidence (such as severely mentally impaired cases are supported by a certificate from a registered medical practitioner);
- wherever possible, the discount was agreed with other records such as housing benefits and electoral registration;
- the liable person/s was issued with a demand notice that included a notification of the assumption made concerning entitlement to discount; and
- entitlement to the discount is periodically reviewed via, for example, annual surveys or certifications.

Selected a taxpayer in receipt of disablement (CT banding) reduction and confirm for each that:-

- a formal application was made requesting the reduction;
- a visit has been made to the property to confirm that the facilities were provided for, or used mainly by a disabled person;
- the current CT banding is only one band below that shown in the valuation list or on the case of band 'A' property, the reduction is no more than 5/9ths of band 'D'; and
- entitlement to the reduction is periodically reviewed via, for example annual surveys.

Single Person Discount (SPD)

9.2.1. Audit testing verified for a sample of 10 SPD applications:

- ▣ the discount and the reasons for such are clearly shown on the taxpayer's account;
- the discount is supported by a formal signed application and relevant evidence (such as severely mentally impaired cases are supported by a certificate from a registered medical practitioner);
- wherever possible, the discount was agreed with other records such as housing benefits and electoral registration;
- the liable person/s was issued with a demand notice that included a notification of the assumption made concerning entitlement to discount; and
- entitlement to the discount is periodically reviewed via, for example, annual surveys or certifications.

9.2.2. It was noted legislation does not require signed documentation to trigger the award of discounts and exemptions; however, staff tend to ask the claimant to do so.

Deceased accounts

9.2.3. Audit testing verified for a sample of 6 deaths from the Death Lists:

- the relevant council tax account was updated;
- liability ceased on the day before the date of death;
- the executor or administrator was issued with a demand notice and made liable to pay any sum outstanding before the date of death; and
- with the exception of 3 accounts the amount outstanding was reclaimed from the estate of the deceased. For the 3 exceptions, 2 had been transferred over to another liable person in the household and one was still to be settled in probate.

Disablement Reductions

9.2.4. Audit testing verified for a sample of 10 Disabled Reductions cases:

- A formal application was made requesting the reduction;
- a visit has been made to the property to confirm that the facilities were provided for, or used mainly by a disabled person;

- the current CT banding is only one band below that shown in the valuation list or on the case of band 'A' property, the reduction is no more than 5/9ths of band 'D'; and

9.2.5. Internal Audit noted that the entitlement to the reduction is not reviewed annually, similar to the Single Persons Discount review exercise, this will be reviewed on a 18 month rolling basis. On an annual basis letters are issued to recipients to request them to sign and confirm to declare that their circumstances have not changed.

Central Government Annual Reconciliation

9.2.6. On an annually basis, a return reconciling all the types and numbers of discounts and exemptions is completed and returned to Central Government. This is used to calculate the Revenue Support Grant each year. Internal Audit testing verified that the 2011/12 return for 2011/12 was successfully completed as part of the year end process.

Conclusion – Satisfactory arrangements are in place regarding Liabilities.

9.3. Billing

Method of Review

Discussed with Revenue staff and confirmed.

- that copies of the Council Tax Regulations (Local Government Finance Act 1992) are accessible to all staff; and
- all staff are aware of their presence, their purpose and where they can be accessed.

Discussed and confirmed with Revenue staff that the 2011/12 Council Tax base including Parish Precepts had been presented and approved by the Council by the 11th March Government deadline

Reviewed the format of the 2012/13 Council Tax bill and checked that it complies with legislative requirements.

Selected a sample of 10 chargeable properties and checked that.

- a demand notice was issued at least 14 days prior to the first instalment date or by mid-March for annual payments;
- the demand notice included the names of as many liable persons as possible;
- the date on which the demand was raised and despatched was recorded on file;
- the amount and bill reference was recorded on file;
- forcases exempt from CT that a notification of the assumption of the exemption was issued to the person who would otherwise be liable.

Discussed with the Revenue staff that where a taxpayer pays by instalments confirmed that where the demand notice was:-

- issued during the year but prior to 31st December, the number of instalments due is equal to the number of complete months remaining less one;
- issued after the 1st of January, the whole amount due was payable as a lump sum; and
- issued after the end of the relevant financial year, the whole amount was payable as a lump sum.

Setting of Council Tax

- 9.3.1. It was noted that the 2011/12 Council Tax base including Parish Precepts was presented and approved by the Council on 6th March 2012 prior to the 11th March Government deadline.

Issuing of Demands

- 9.3.2. Audit testing verified that the format of the Council Tax bills complies with legislative requirements.

Calculations and Payments

- 9.3.3. Council taxpayers can arrange to pay by a variety of methods

- direct debit;
- website payments;
- internet banking;
- post office;
- telephone;
- civic centre cashiers; and
- cheque/postal order.

- 9.3.4. Standard instalment terms are normally over 10 months - April to January inclusive, however, this is negotiable with an option to pay in full, or over 12 months. If difficulties are incurred, other instalment methods can be negotiated via the Recovery Section.

Reconciliation

- 9.3.5. It was advised that the Team Leader (Performance) undertakes a reconciliation exercise after each main billing run that involves; the checking the accuracy of the opening debit balance and then reconciling the number of bills produced to the number of liable properties, discounts and exemptions applied. The Council tax Team undertakes a reconciliation of Council Tax charges calculated by Academy for each band to the billing spreadsheet. Once this reconciliation is completed, a hard copy is passed to the manager for verification and approval and a copy retained on file. No detailed audit testing was performed.

- 9.3.6. **Conclusion – Satisfactory arrangements are in place regarding Billing.**

9.4. Recovery & Enforcement

Method of Review

Discussed with Revenue staff and confirmed:

- *that copies of the Council Tax Regulations (Local Government Finance Act 1992) are accessible to all staff; and*
- *all staff are aware of their presence, their purpose and where they can be accessed.*

Selected a sample of 10 CT account in arrears, e.g. where there is a large debt or a case where payments have not been received for some time and confirmed that:-

- *a reminder was issued promptly that stated the consequences of failure to pay;*
- *where payment was not received within 7 days of the reminder, the right to pay by instalments was lost and the full balance became due after a further 7 days;*

- the recovery stages are clearly shown, including the dates and details of the actions taken;
- there were no undue delays between each stage of recovery; and
- adequate recovery action was taken.

Selected a 5 taxpayer who made a 'special arrangement to pay' and confirmed that:-

- details of the arrangement were recorded on the taxpayer's account;
- the arrangement was confirmed to the taxpayer in writing;
- the arrangement was independently authorized;

Selected a sample of 5 cases where a summons was issued and checked that:

- the case was on a complaint list which was signed by the recovery manager and a justice of the peace or clerk to the justice;
- the summons was issued 14 days prior to the court date;
- there the summons was issued in joint names, each named person was sent a copy;
- the amounts on the summons match the debts outstanding as per the CT system record;
- all applicable costs incurred were included on the summons; and
- the debts were less than 6 years old.

Selected a sample of 5 cases where a liability order was issued and checked that:

- they were on a list of liability orders granted by the court that were signed by a justice of the peace or clerk to the justice;
- the contents of the notices comply with legislation (see below);
- where financial details were requested and not supplied within 14 days, a fine was imposed and that fines are clearly shown on the taxpayers account;
- one of the following courses of action was taken (only one at a time) ie distress was levied, attachment to earnings or LA members allowance, deduction from income support, bankruptcy or liquidation and application for a charging order where debts exceed £1,000.

Discussed with Revenue staff the arrangements where cases are referred to external bailiff and confirmed that that action taken is satisfactory;

Selected a sample of 10 taxpayers who had attachments to earnings or income support and confirmed that:

- notification of the attachments was sent to the taxpayer's employer or to the DWP as appropriate; and
- regular payments were made.

Selected a sample of 8 debt write offs and checked that -

- the write-off was clearly shown on the taxpayer's account; and
- write-off was only approved once all reasonable avenues of recovery were exhausted or where it would prove uneconomic to pursue.

Recovery Action

- 9.4.1. The Team Leader (Recovery & Enforcement) confirmed that apart from themselves, no other Revenue staff have cash collection duties. The Team Leader, on occasion, collects cash from those attending Court; however, this is rare the preference is for monies to be paid directly to the Council's Cash Office. Internal audit examined the Recovery & Enforcement cash receipt book and verified that in 2012-13 only 3 cash amounts with an overall total of £1,132.98 had been received. Internal Audit verified one of the 3 cash receipts to the council taxpayers account on Academy.
- 9.4.2. The Academy system parameters do allow Recovery staff to amend tax-payers records; however, this is not done in practice. There is an audit trail within the system that would

highlight any undue actions and the Team Leader could request reports to this effect although this is not normally done as a matter of course as the staff are fully aware of the requirement to pass amendments to the Processing Team. The Recovery section is small and the Team Leader tends to be aware of the expected progress on any account that is going through the recovery process.

9.4.3. Arrears reminder letters are generated and dispatched independently of staff involved in maintaining the Debtors system. The Revenues Admin Team are responsible for this task.

9.4.4. Audit testing verified for a sample of 10 accounts in arrears:

- a reminder was issued promptly that stated the consequences of failure to pay;
- where payment was not received within 7 days of the reminder, the right to pay by instalments was lost and the full balance became due after a further 7 days;
- the recovery stages are clearly shown, including the dates and details of the actions taken;
- there were no undue delays between each stage of recovery; and,
- adequate recovery action was taken.

9.4.5. Audit testing verified for a sample of 5 accounts with special payment arrangements:

- details of the arrangement were recorded on the taxpayer's account;
- the arrangement was confirmed to the taxpayer in writing;
- the arrangement was independently authorised;
- the arrangement allows for the debts to be cleared by the end of the financial year, unless authorised by a senior employee;
- where the taxpayer's income varies, they were contacted at regular intervals to reassess their ability to pay;
- the agreed payments were maintained and any failures were dealt with effectively.

It was noted the debt is not always cleared in the same financial year as it is not always possible, especially with cumulative debt.

9.4.6. Audit verified for a sample of the contents of 5 liability notices and a sample of 10 council tax accounts where attachment of earnings was required, there were no findings to report.

Bailiff Action

9.4.7. A complete audit is undertaken annually by the Revenues Officer (Recovery) of every case that has reached bailiff and the subsequent action taken. No detailed audit testing was performed in this area.

Performance

9.4.8. The Performance Team calculates the debt recovery targets each month. The Council Tax indicator is BV9 – % of Council Tax collected within the year demanded. Current performance against the target is 67.65% in November 2012, which compares against 67.46 in November 2011.

9.4.9. This indicator is initially reported to management to monitor and ensuring any corrective action is required to improve performance. The year on year improvement is also monitored. A quarterly report is produced submitted to members of the operational and strategic board members.

Write offs

- 9.4.10. When a case is identified for write off the case is written off on Academy by a credit entry eliminating the debit balance. The details of the case are then entered to a spreadsheet and, on a quarterly basis these are sent for write off approval by the Director of Resources.
- 9.4.11. Audit testing on a sample of 8 account write-offs (4 under £1,000 and 4 over £1,000) from the September 2012 report verified that:
- the write-off was clearly shown on the taxpayer's account and on the spreadsheet; and
 - write-off was only approved once all reasonable avenues of recovery were exhausted or where it would prove uneconomic to pursue;
- 9.4.12. **Conclusion – Satisfactory arrangements are in place regarding recovery and enforcement.**

9 5 Collections & Refunds

Method of Review:

Discussed with Revenue staff and reviewed the suspense account and checked that it was cleared on a regular basis.

Selected a sample of 5 council tax accounts with large credit balance and checked

- *that the balance appears legitimate; and*
- *the taxpayer has other outstanding liabilities that the credit could be offset against*

Discussed with Revenue staff the arrangements for transfers between accounts and whether these are properly authorised.

Income Collection

- 9 5.1. System integrity checks are performed each morning when accounts show a credit balance, to verify that the credits are bona fide.
- 9.5.2. The Academy income reconciliation is undertaken each day by the Technical Officer. This involves reconciling the total net funds thereafter to the Main Accounting System at period end by the Accountancy Assistant. Internal Audit undertook a walk-through test of the income reconciliation process and verified it was signed and authorised by the appropriate finance staff.
- 9.5.3. The Council Tax Suspense Account 32000001 was reviewed and Internal Audit noted as at the 26th November 2012 there was an outstanding balance of £4,062.29 which comprised of:
- 2007/08 £293.00
 - 2008/09 £998.00
 - 2009/10 £515.50
 - 2010/11 £1,021.98
 - 2011/12 £440.34
 - 2012/13 £793.47

Prior years were verified as £0 from 2006/07 to 1998/99. The clearance of outstanding balances on the Council Tax Suspense was noted in the previous audit report and to-date the action has not been implemented. Progress in implementing the agreed action

is detailed in the Summary of Audit Recommendations & Action Plan Appendix B. **See recommendation R2.**

Credits & Refunds

- 9.5.4. Credit bills are produced daily and are checked by the Revenues Officer to ensure that there are accurate. There is also a monthly report produced that identifies all outstanding credit balances.
- 9.5.5. Audit testing verified for a sample of 5 accounts with credit balances that:
- the balance appears legitimate; and
 - the taxpayer had no other outstanding liabilities that the credit could be offset against
 - only 2 had been refunded back to the taxpayer,; and
 - for the other 3 balances that have no bank details these will remain on the account until notification of a forwarding address is received.
- 9.5.6. A daily batch job of refunds are processed on Academy, the Revenue Manager certifies the refunds and sends to the Creditors Section for payment. A refund balancing report is produced and sent to the Technical Officer to be reconciled to Academy.
- 9.5.7. Transfers of balances between council tax accounts are not authorised. All staff have the same level of access to action transfers. This was noted in the previous audit report progress to-date in implementing the agreed action is detailed in the Summary of Recommendations & Audit Plan Appendix B. **See Recommendation R2.**
- 9.5.8. **Conclusions - Satisfactory collection and refunds processes in use.**

COMMUNITY ENGAGEMENT DIRECTORATE

AUDIT FOLLOW UP OF COUNCIL TAX
Final report issued 30 March 2013

SUMMARY OF PREVIOUS RECOMMENDATIONS

REF	ISSUES RAISED	ORIGINAL RECOMMENDATION	GRADE	ACTION TAKEN	SUCCESSFULLY IMPLEMENTED (Completed by Internal Audit)
A1	There have been instances where liability has not been established correctly.	A pro-forma should be developed for all initial registration for Council Tax that sets out the criteria for liability in accordance with Section 6(2) of the Local Government Finance Act 1992. These should be completed at the initial point of contact.	C	Pro-forma has been developed. Now in use since 17/11/2011 by customer services, who complete the details, then it is passed to back office for processing via an interface.	Implemented.
A2	Discount/exemption statistics are collated and available but are not used for management purposes.	Management should consider using the discount/exemption statistics to concentrate available resources as part of the rolling review.	D	Exemption class C cases (vacant properties) are being reviewed by revenues inspectors, using data supplied by performance team. Single person discounts will be reviewed using data from the NFI exercise, which provides a list of mismatches between council tax and electoral roll records. NFI mismatches should be available in Feb 2012.	Implemented.
A3	The suppressions spot check exercise has been deferred due to other work pressures.	That a monthly spot check of suppressions is reinstated as soon as possible.	B	Recovery suppressions are now being monitored by the Senior Revenues Officer on a monthly basis.	Implemented.

COMMUNITY ENGAGEMENT DIRECTORATE
 Audit of Council Tax

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	ACTION TAKEN BY
R1	Follow up of previous audit recommendation A4 "There are outstanding items in the Council Tax suspense account dating back from 2007/08." Internal Audit noted there is no evidence this has been implemented. The Systems and Support Officer has agreed to clear all balances in the Council Tax Suspense Account from 2007/08 to 2009/10.	The outstanding transactions should be cleared from the suspense accounts as soon as possible. It is recommended that the account should be cleared to zero annually.	C	System and Support Officer has been asked to clear these from Suspense.	Systems and Support Officer	March 2013
R2	Follow up of previous audit recommendation A5 "All staff has access to action transfers and access is not restricted or monitored." Internal Audit noted there is no evidence this has been implemented. The Revenues Team Leader agreed to spot check and verify for a sample of transfers from the Transaction Report CT 6300 that there was an adequate reason for the transfer and it was posted to a legitimate account.	Transfers of balances between accounts should be monitored. Reports should be run regularly and spot checks implemented.	C	Revenues Team Leader has been asked to commence sampling.	Revenues Team Leader	30 April 2013

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AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

FINAL REPORT

Audit of Treasury Management 2012/13

Draft Report Issued: 28th March 2013

Final Report Issued: 3rd April 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Treasury Management forms part of the annual programme of material systems. These systems have a high impact on the Main Accounting System. External Audit place reliance on the material system reviews undertaken by Audit Services as part of its work on the Statement of Accounts.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Beverley Fisher.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources, Resources Financial Services Manager, Resources	Report to be noted.
Chief Accountant, Resources Group Accountant, Resources	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.

- 2.3. Other recipients of the final report:

Chief Executive Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting in 15 th April 2013.

3. BACKGROUND INFORMATION

- 3.1. Treasury Management is defined as the organisation's cash flows, its banking, money (short term) and capital (long term) market transactions, the effective control of the risks associated with these activities and the pursuit of optimum performance consistent with those risks.
- 3.2. Treasury Management involves:
- Short term cash flow forecasting to ensure the organisation is able to meet its day to day funding requirements.
 - Longer term cash flow forecasting to identify future capital requirements.
 - Managing borrowing and investments in order to finance ongoing activities of the organisation.
 - Investment of temporary surpluses to generate additional income.
- 3.3. Treasury Management is undertaken within the Resources Directorate by Financial Services. Duties and responsibilities are delivered by the Chief Accountant and Group Accountant, with the function being overseen by the Financial Services Manager.
- 3.4. The Council has adopted the CIPFA Code of Practice for Treasury Management and implemented the key recommendations on developing Treasury Management Practices (TMP's).

Section 1 – Management Summary

3.5. The Council's policy documents and procedures relating to Treasury Management include:

- Treasury Management Policy Statement;
- Treasury Management Strategy Statement;
- Annual Investment Strategy;
- Minimum Revenue Provision Policy Statement;
- Annual Treasury Review Report;
- Treasury Management monitoring reports (half yearly and quarterly);
- Annual accounts and financial instruments disclosure notes;
- Annual budget;
- 5 Year Capital Plan;
- Medium Term Financial Plan; and
- Relevant minutes of Council, Executive, Scrutiny Panel and Audit Committee meetings.

3.6. External service providers used by the Council to support the Treasury Management function are.

a) Sector, a treasury advisory service which is used to provide expert advice on:

- Interest rate forecasts;
- The annual treasury management strategy;
- The timing for borrowing and lending;
- Debt rescheduling; and
- Use of various borrowing and investment instruments and how to select credit worthy counterparties for inclusion on the Councils approved lending list. The approved lending list is used to monitor current investments and where to place any new investments.

b) Three money-brokering services, for temporary borrowing and investment and long term borrowing. The Council aims to provide an even spread of business amongst these approved brokers.

4. SCOPE

4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. The key areas for review are:

Section	Area Examined
1.	Accounting, Budgeting and Reports – to include: <ul style="list-style-type: none"> - Monitoring and Reporting; - Budgets and Reconciliation and - Policies and Procedures
2.	Staffing Arrangements
3.	Risk Management
4.	Cash Flow Forecasting
5.	Investments
6.	Capital Investments
7.	Loans
8.	Payments
9.	Use of External Providers
10.	Fraud Prevention and Data Security Measures

Section 1 – Management Summary

- 4.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 4.3. The scope and testing undertaken as part of this review reflects the inherent risks specific to Treasury Management and any additional risks which have been raised through the Council's corporate risk management arrangements.
- 4.4. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to operational risk register(s) should be made. If risks are of a strategic nature, these should be reviewed by the Corporate Risk Management Group.

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of Treasury Management was previously carried out in March 2012. This review awarded a Substantial Assurance level and resulted in no recommendations.
- 5.2. No further action is required.

6. RECOMMENDATIONS

- 6.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	For consideration only - action at manager's discretion.

- 6.2. There is 1 grade C recommendation arising from this review.

7. STATEMENT OF ASSURANCE

- 7.1. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

Section 1 – Management Summary

- 7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Treasury Management provide **Substantial** assurance.

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 8.1. The **substantial** assurance given to an audit area has been influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations and non adherence to procedures.
- 8.2. From the areas examined in Treasury Management there are no specific matters arising which require immediate attention. Staff involved in the Treasury Management function are qualified and knowledgeable. Procedures are well established and documented and the expected controls are in place and operating effectively.

Section 2 – Matters Arising

9. DETAILED FINDINGS & RECOMMENDATIONS

9.1. Accounting, Budgeting & Reporting

Method of Review:

Monitoring & Reporting

- *Ensure that the minimum reporting arrangements are in place which include:*
 - *An annual report on the TM Strategy and plan for the coming year;*
 - *In year performance reports.*
 - *Annual report on performance of the TM function, including the effects on decisions taken and transactions processed.*
- *Inspect the TM Practices policy to confirm that the Council's commitment to pursue best practice in its TM objectives and practices is clearly stated.*
- *Review the performance measurement reports and supporting documentation and confirm that:*
 - a) *The effectiveness of the investment returns or borrowing costs is regularly assessed;*
 - b) *The results were benchmarked and compared against other sources (e.g. portfolios, industry standards, market indices);*
 - c) *Performance was reviewed by an employee independent of the process;*
 - d) *The results were used to formulate and for improving future TM decision making; and*
 - e) *The reports were reported to the Council*
- *Examine the latest annual performance report made to the Council and confirm that:*
 - a) *It was sufficiently detailed and complies with the CIPFA guidance;*
 - b) *TM decisions, transactions and performance for the past year were reported;*
 - c) *Any non-compliance with the Council's TM policy statement was reported; and*
 - d) *The performance of the investment management brokers was reported.*
- *Examine the annual TM strategy report and confirm that it:*
 - a) *Details the strategy and TM plan for the coming year;*
 - b) *Includes a statement detailing the Council's proposed TM indicators of prudence; and*
 - c) *Was referred to and approved by the Council before it was implemented.*

Treasury Management Budgeting

- *Review of annual budget for TM which should be prepared and monitored to bring together costs incurred in operating the TM function together with associated income generated.*
- *Examine the arrangements for regular reconciliations of the TM transactions to the control accounts in the General Ledger and check that they are:*
 - a) *Undertaken regularly by staff independent of the process;*
 - b) *Signed and dated by the employee who undertook the reconciliation; and*
 - c) *Signed and dated by an independent employee who checked them for correctness.*

Section 2 – Matters Arising

- *By examination confirm that, as part of its corporate governance procedures and compliance with anti-money laundering legislation, the Council has:*
 - a) *Formally adopted the principles and policies of relevant (e.g. CIPFA) codes of practice;*
 - b) *Established satisfactory TM policies and procedures;*
 - c) *Established adequate anti-money laundering controls; and*
 - d) *Formally designated a senior member of staff the duties of monitoring and reporting on the effectiveness of its TM arrangements.*

- *By examination confirm that the TM policy statement and the TM Investment Strategy:*
 - a) *Have been referred to and formally approved by the Council; and*
 - b) *Are reviewed regularly.*

- *By enquiry and reference to TMP5 (Segregation of Duties and Dealing Arrangements) check that:*
 - a) *There are adequate separation of duties between those:*
 - *Involved in setting the TM policy;*
 - *Managing, checking and authorising transactions;*
 - *Responsible for day-to-day operations; and*
 - *Monitoring TM performance.*

 - b) *Staff responsible for negotiating and closing deals do not also record the transactions or maintain the cash book.*

- *Examine the office documented procedures and confirm TM staff have ready access to the following:*
 - a) *The TM policy statement;*
 - b) *Details the Council's TM strategy and practices for borrowing and lending;*
 - c) *Details the arrangements in place to support its TM practices;*
 - d) *Details the procedures to be followed for administering the system;*
 - e) *Documented areas and levels of individual responsibility and*
 - f) *Includes TM prudential indicator schedules.*

Monitoring & Reporting

- 9.1.1. **The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2012/13 are referred and approved by Council on 7th February 2012.**

- 9.1.2. **The Council has formally adopted the CIPFA Code of Practice on Treasury Management and is committed to pursue best practice in its Treasury Management objectives and are clearly outlined in the policy document.**

- 9.1.3. **It was confirmed through observation that the strategy clearly outlines and covers the following issues:**
 - **Treasury limits in force that will limit the treasury risk and activities of the Council;**
 - **Prudential and Treasury Indicators;**
 - **Current treasury position;**

Section 2 – Matters Arising

- Borrowing requirement;
- Prospects for interest rates;
- Borrowing strategy considerations;
- Debt rescheduling opportunities.

- 9.1.4. Outturn reporting arrangements are properly established. Appendix A2 in the Outturn Report 2011/12 refers to the standard market performance indicators in respect of loans and investments outturn for 2011/12 and 2010/11. Performance of the investment management brokers is not separately reported in the outturn report.
- 9.1.5. In year performance reporting is also in place. Ongoing performance against the market is monitored and reported quarterly to the appropriate committees and scrutiny panel.
- 9.1.6. No service benchmarking takes place i.e. performance benchmarking against other comparable bodies. Both Sector and CIPFA offer specific benchmarking services that can compare the Council's Treasury Management performance with other authorities, but the Council is not considering this type of service due to the cost and the perceived lack of benefit drawn from such comparisons at this time.
- 9.1.7. The Council holds quarterly meeting with Sector who review general performance; their opinion on where the Council is investing its money and the rate the Council is achieving is provided.
- 9.1.8. The Treasury Management Strategy Statement, Investment Strategy and Minimum Revenue Provision Strategy 2012/13 was referred to The Executive on 16th January 2012. The Prudential and Treasury Indicators were included in the statement and were based on current projections for capital spending and resources for 2012/13 – 2014/15 and were set out in accordance with the principles contained within the council's Capital Strategy and Asset Management Plan.

Treasury Management Budgeting

- 9.1.9. A separate Treasury Management budget is maintained and monitored.
- 9.1.10. Treasury Management projections are reviewed annually to ensure that current interest rate forecasts are updated and that current and future spending implications are built into cash flow forecasts as stated in the Executive Budget Resolution 2013/14 issued in February 2013.
- 9.1.11. Testing on the reconciliation arrangements in place was carried out and the General Ledger balances for short term investments were reconciled up to period 10 (January 2013) using the summary daily reconciliation sheet. Adequate arrangements were in place to inform of all money transactions / movement. It was confirmed that the Group Accountant signs and dates the daily reconciliation sheet before informing the Finance Assistant of the daily activity, who is not directly involved in daily Treasury Management operations.

Policies & Procedures

- 9.1.12. It was confirmed that the council has formally adopted the principles and policies of relevant codes of practices (e.g. CIPFA). An Anti-Money Laundering policy is in place and was last updated on 23rd January 2012. Money laundering is referred to in section TMP 9 of the Treasury Management Practices policy which was last updated in May 2012.

Section 2 – Matters Arising

- 9.1.13. Staffs individual responsibilities are documented in the Treasury Management Practice policy. The Financial Services Manager oversees the Treasury Management function, although the Director of Resources is ultimately responsible for both its strategy and operation. It was confirmed that the Chief Accountant and Group Accountant monitor and report on all treasury management activities and are also be involved in checking / authorising daily transactions. The Chief Accountant may also be involved in updating the policy and procedures alongside the Financial Services Manager. With such few qualified Treasury Management experienced personnel in the Council, segregation of duties between dealing and reporting etc is diluted in some areas.
- 9.1.14. It was confirmed that Treasury Management dealings are carried out daily by the Group Accountant or in her absence the Chief Accountant. There is a three stage process for transmitting monies via HSBCnet. It was confirmed that no one person is able to undertake more than one stage of the process, thus ensuring segregation of duties in this area. The final authorisation stage is performed by an authorised signatory on the bank mandate and the dealing and authorisation is never carried out by the same officer.
- 9.1.15. It was confirmed that all staff involved in the Treasury Management process are aware of the relevant polices and procedures and there location.
- 9.1.16. Conclusion – Satisfactory arrangements are generally in place regarding accounting, budgeting and reporting. Segregation of duties is an issue due to limited qualified resources in this area. Also, the Council undertakes no detailed service benchmarking of its Treasury Management function, nor does not intend to do so due to the prohibitive cost and perceived benefits derived from such comparisons.**

9.2. Staffing Arrangements

Method of Review:

- *By enquiry with staff involved in the TM function confirm that they:*
 - a) *Have appropriate knowledge and have received training in:*
 - *Money and capital markets;*
 - *Sources of funds and investment opportunities;*
 - *Risk management;*
 - *Legal and regulatory requirements; and*
 - *Anti-money laundering legislation (including their responsibility to identify, recognise and report any suspicions of money laundering).*
 - b) *Are promptly notified of policy and/or procedural changes, and receive appropriate training where necessary.*
- *By examination, confirm that satisfactory contingency arrangements are in place to cover for staff absences, both planned and unplanned.*

- 9.2.1. It was confirmed that all senior officers involved in Treasury Management are appropriately qualified. Adequate cover arrangements are in place before senior officers involved in Treasury

Section 2 – Matters Arising

Management take leave, flexi etc, but limited qualified resources do impact on segregation of duties (see paragraph 9.1.13-14).

- 9.2.2. Staff involved in the Treasury Management function attend relevant seminars and training events and receive guidance is given to all staff involved which complies with the Treasury Management Code and the FSA handbook.
- 9.2.3. Changes to configurations for users are carried out by the Principal Finance/Systems Officer or the Finance/Systems Officer who are the designated System Administrators who have no direct Treasury Management responsibilities.

Conclusion – Satisfactory staffing arrangements are in place.

9.3. Risk Management

Method of Review:

- *Examine the TMP 1 and check that the following risks were considered and appropriate:*
 - a) *Liquidity;*
 - b) *Interest rates;*
 - c) *Exchange rates;*
 - d) *Inflation;*
 - e) *Credit and counterparty ;*
 - f) *Refinancing;*
 - g) *Legal and regulatory;*
 - h) *Market risk; and*
 - i) *Fraud, error and corruption.*

 - *Examine the Council's risk register and check that:*
 - a) *Potential risks identified during the risk assessment are clearly and accurately recorded;*
 - b) *Adequate, appropriate and timely action has been, or is to be, taken to address the risks;*
 - c) *Contingency/business continuity management are in place.*

 - *Review the lending and borrowing procedures and check that:*
 - a) *Adequate controls are in place to achieve maximum possible returns without exposing the Council to unacceptable risks or loss; and*
 - b) *Overseas borrowing and investments are required to be undertaken in sterling.*

 - *Examine the Council's list of approved investors and confirm that:*
 - a) *Appropriate investment limits have been established for the institutions according to their credit rating;*
 - b) *The credit standing of institutions on the list is reviewed regularly; and*
 - c) *The list is referred to and approved by the managing body on at least an annual basis.*
- 9.3.1. The Treasury Management Practices on Risk Management (TMP1) sufficiently cover all the appropriate risks areas identified for the Treasury Management function.

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- 9.3.2. Operational risk registers are maintained within Covalent. The recorded risk RSOR004h highlights the managed risk/effect of non compliance to the Council's Treasury Management policies and procedures and internal controls in place to help mitigate this risk.
- 9.3.3. Approved borrowing and lending procedures are in place and regularly reported upon. All treasury dealings are made with UK institutions only.
- 9.3.4. The Schedule of Approved Investment Counterparties spreadsheet was examined to ensure that the total investment with any one party did not exceed £4m with the exception of Lloyds Group and RBS Group which must not exceed £8m. It was confirmed that there are 11 banks, 10 building societies and 1 other approved investor (15th March 2013). The Group Accountant and Chief Accountant receive the Investment Institutions (Sector) credit standings on a weekly basis; the spreadsheet is updated accordingly by the Group Accountant prior to any dealings that week. All data was found to correct.
- 9.3.5. The Council reduced Cumberland Building Societies investment limit from £2m to £1m on 5th February 2013 and this adjustment has been correctly reflected on the monitoring sheets.

Conclusion – Satisfactory arrangements are in place regarding risk management.

9.4. Cash Flow Forecasting

Method of Review:

- *By enquiry with the Chief Accountant confirm that cash-flow management procedures ensure:*
 - a) *Cash liquidity is satisfactorily managed (including cash in hand & forward commitments);*
 - b) *That minimum acceptable levels of cash balances plus short term investments are not infringed cleared bank balance of not more than £50K debit or credit;*
 - c) *There are satisfactory arrangements for investing and managing surplus cash ;*
 - d) *Contingency borrowing procedures have been formulated to finance temporary cash-flow deficits;*
 - e) *Overdraft facilities are adequate and readily available; and*
 - f) *A decision to invest overnight is only made if interest received is more than the costs incurred.*

- *Select a sample of cash-flow statements and check that:*
 - a) *The statements are prepared on a daily basis; The person who signed and dated the statement is a suitably qualified member of staff;*
 - b) *The projections are supported by relevant documentation such as bank balances;.*
 - c) *There is proof that the statements were checked for correctness by an independent person (i.e. he/she has signed and dated the statement). The results were reviewed by a senior manager who recorded their decision and signed against it; and*
 - d) *Surplus funds were invested and deficit balances cleared promptly and appropriately.*

- 9.4.1. The Council has appropriate Treasury Management cash flow procedures in place. There is a clear separation of duties for staff involved in the process. The Chief Accountant aims to have the bank account in credit on a daily basis. The overnight balance can also be affected due to scheduled payment e.g. creditors, payroll etc. Also due to the current interest rates and the bank charge to invest money overnight, this would be a cost to the council money rather than gain in interest.

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9.4.2. Testing was carried out on cash management daily balances spreadsheets from 1st February 2013 to 28th February 2013. Treasury Management daily balances are obtained by accessing HSBC's internet banking service, HSBCNet. This is undertaken by a member of staff within the Treasury Management function. The spreadsheet is updated and balanced accordingly. All CHAPs transfers, investments and recalls were appropriately actioned by authorised staff. No issues were highlighted and data was found to be correct.

9.4.3. It was highlighted through testing that the Council reduced its sterling net overdraft facility to £100,000 from £200,000 on 11th October 2012. The interest in respect of the facility will be payable at the rate of 2.5% per annum over the prevailing Bank of England Base Rate on amounts up to the limit. The Treasury Management Practices policy should be amended to reflect the new overdraft facility amount. **Please refer to recommendation R1.**

RECOMMENDATIONS			
Recommendation & Grade			Risk if not Actioned
R1	The Treasury Management Practices policy should be amended to reflect the new overdraft facility amount of £100,000.	C	Incorrect information being adhered to

Conclusion – Satisfactory arrangements are in place regarding cash flow forecasting.

9.5. Investments

Method of Review:

- *Examine the lending and investment policy and procedures and check that:*
 - a) *They adequately explain the procedures to be followed for undertaking investments;*
 - b) *They list the institutions that are appropriate to deal with,*
 - c) *They require that the credit standing of all institutions be reviewed regularly;*
 - d) *The approved types of investment are detailed*
 - e) *They stipulate the financial limits and timescales;*
 - f) *They require staff to monitor interest rates on a daily basis;*
 - g) *They enable current accounts to be accessed instantly in order to obtain favourable interest rates on temporary investments; and*
 - h) *They avoid over-reliance being placed on a small number of financial institutions.*

- *Inspect the daily interest rates record and check that it is up to date.*

- *Select a sample of investments and confirm that:*
 - a) *They are made in institutions which the Council defined as appropriate;*
 - b) *They are of the type defined in the policy document;*
 - c) *They have not exceeded the limits specified in the policy; and*
 - d) *They are valid and were made by approved TM staff,*
 - e) *Calculations were checked to supporting documentation by an independent employee to show the information was checked and agreed;*
 - f) *Have been authorised in accordance with the Council's agreed policy; and*
 - g) *Each transactions is accurately reflected in the MAS*

Section 2 – Matters Arising

- *Confirm that there are adequate controls in place to ensure that monies lent are repaid by the due date.*
- *By enquiry confirm that the investments record is reconciled to the main accounting system and that the investments record also agrees to the broker statement.*
- *Examine a sample of reconciliations and check that they were:*
 - *Undertaken on a regular basis;*
 - *Signed by the person undertaking the check; and*
 - *Signed as agreed by a senior employee.*

9.5.1. The Treasury Management Strategy Statement, Investment Strategy & Minimum Revenue Provision Strategy 2012/13 report and Treasury Management Practices policy clearly outlines the procedures for undertaking investment on behalf of the council.

9.5.2. The Group Accountant receives a daily email from ICAP.com for information purposes only with deposit rate indicators for banks and building societies for local authorities

9.5.3. There are adequate controls and separation of duties with regards to the prevention of investments interfering with required cash flow and working funds.

9.5.4. Testing was carried out on a sample of 5 investments to ensure the investments had not exceeded the investment limit, the investments were made with appropriate banks or building societies and all supporting documentation was correctly authorised and approved. All transactions were found to be correct. These transactions were then traced to the General Ledger to ensure all initial investments and interest was repaid. All entries were found to be correct.

9.5.5. It was confirmed by the Group Accountant that long term and short term investments are monitored and reconciled daily. The daily control spreadsheet is updated with the transaction with a narrative of the date etc that the investment is due to be repaid to the council. Details of the investment are then input into the repayment date. A telephone call is made to the bank or building society requesting the investment to be repaid on the due date following Treasury Management procedures.

9.5.6. The Outstanding Investments spreadsheet was examined as of 18th March 2013 and outstanding investments totalled £22,200,000; 3 are long term investments (>365 days) and 13 short term investments (<365 days). It was confirmed that the spreadsheet contained the correct information required.

9.6. Capital Investments

Method of Review:

- *Confirm that the Council has adopted the TM indicators required by the Prudential Code for Capital Finance in Local Authorities.*
- *Confirm that loans repaid were checked for correctness and repaid from revenue accounts.*
- *Check that the borrowing limits and upper limits set for variable and fixed interest rates:*
 - a) *Were referred to and approved by the Council, and*
 - b) *Are strictly adhered to.*

Section 2 – Matters Arising

- *Identify projects from the 2012-13 Capital Programme that have been funded using prudential borrowing and check that:*
 - a) *Prior to taking out the loan a review was carried out to ensure that capital spending was:*
 - *Affordable;*
 - *Prudent;*
 - *Sustainable; and*
 - *In accordance with the Council's approved limits*
 - b) *Borrowing was within the approved limits; and*
 - c) *Borrowing was authorised appropriately and in accordance with the prudential guidance.*

9.6.1. It was confirmed that the council has adopted the Treasury Management indicators required by the Prudential Code of Capital Finance in Local Authorities. The code is referred on the Treasury Management Strategy Statement 2012/13 and in the Treasury Management Outturn reports 2012/13.

9.6.2. The Affordable Borrowing Limit is referred and adhered to in the Treasury Management Strategy Statement which is essential to capital investment.

9.6.3. It was confirmed that there has been no capital investment borrowing in 2012/13.

Conclusion – Satisfactory arrangements are in place regarding all investments.

9.7. Loans

Method of Review:

- *Examine the borrowing policy and procedures and confirm that:*
 - a) *They adequately explain the procedures to be followed;*
 - b) *They list the institutions that are appropriate to deal with;*
 - c) *Borrowing is only undertaken where appropriate, for example, funds cannot be obtained from other sources such as current accounts, reserve accounts etc;*
 - d) *The approved types of borrowing are detailed;*
 - e) *They stipulate the financial limits and timescales;*
 - f) *For short term borrowing they require staff to monitor interest rates on a daily basis; and*
 - g) *They include a diversification policy to ensure that over-reliance is not placed on a small number of financial institutions.*
- *Check that for each loan there is a record of:*
 - *Transaction details;*
 - *Transaction dates;*
 - *Interest and repayment terms & costs;*
 - *Date acknowledgement of loan receipt was sent to the lender (where applicable);*
 - *Brokerage fees payable; and*

Section 2 – Matters Arising

- *Maturity date.*
- *Select a sample of loans and confirm by enquiry and examination that:*
 - a) *Borrowing was within agreed limits and was authorised in accordance with the policy;*
 - b) *Repayment and interest calculations are correct and were checked for correctness by an independent employee to show the information was checked and agreed;*
 - c) *Confirmation was agreed to the Council's records by an independent employee, and*
- *Identify any loans that have been recently extended and confirm that the:*
 - a) *Agreement to extend the loan was made on or prior to the day of maturity; and*
 - b) *Terms of the loan were re-negotiated and the agreed terms were recorded in writing.*
- *By examination confirm that there are adequate controls in place to ensure that monies borrowed are repaid by the due date.*
- *Select a sample of loans repaid by the Council and check that:*
 - a) *The repayment calculations were signed by an independent employee and authorised; and*
 - b) *The interest due to be paid per the calculations agrees to the sums recorded on the MAS.*
- *By enquiry confirm that the investment record is reconciled to the MAS and is also agreed to the broker statements/ paper work and matched to electronic summary sheet. Paperwork has been signed as confirmation that the loan has been received.*

9.7.1. The Treasury Management Strategy Statement, Investment Strategy & Minimum Revenue Provision Strategy 2012/13 report and Treasury Management Practices policy clearly outlines the procedures for undertaking any borrowing on behalf of the Council. The detailed recording of transactions is listed in the cash management guidance procedures for staff.

9.7.2. It was confirmed that adequate controls and separation of duties are in place with regards to borrowing decisions. Borrowing decisions are undertaken daily as part of the daily cash flow procedure.

9.7.3. All outstanding loans and loans repaid are regularly reconciled to ensure they are paid within the maturity date and all transaction details e.g. interest fees, are correct.

9.7.4. It was confirmed that the following loans are outstanding at present:

Name	Type of Loan	£
Mary Hannah Almhouses	Short term	6,300
Carlisle Educational Charity	Short term	7,000
Stock Issue	Long term	15,000,000
Total		15,013,300

There is only one substantial long term debt for £15m stock issue which dates from 1995 and matures in 2020. These were examined and checked to the MAS. No problems were found.

Conclusion – Satisfactory arrangements are in place regarding loans.

9.8. Payments

Section 2 – Matters Arising

Method of Review:

- *By enquiry and examination check that access to the Clearing House Automated Payments System (CHAPS) is adequately:*
 - *Secure; and*
 - *Restricted to a limited number of authorised staff.*
 - *Check that all authenticators and Personal Identification Numbers (PINS) are adequately controlled and held securely.*
 - *Confirm that there is adequate separation of duties within the CHAPS processing procedure to ensure that the initiator of the transaction cannot also authorise it, and vice versa.*
 - *Select a sample of recent payment forms and check that:*
 - a) *They provide adequate details of the payments made;*
 - b) *They were signed by the employee authorising the transaction; and*
 - c) *The amount of the transaction was within the authorised limits;*
 - d) *Payments were made only to authorised lenders and borrowers;*
 - e) *Payments were checked and signed as correct, and authorised prior to transmission; and*
 - f) *All transfers over the Council's specified amount (if any) were checked back to the prime documents and countersigned by a senior employee.*
 - g) *Trace these payments to the MAS and check that each transaction was recorded promptly and coded correctly.*
 - *Review the limits in place for the value of individual transactions and confirm that these are reasonable.*
 - *Check that the Council's bank has been:*
 - a) *Notified in writing of the limits in place for the value of individual transactions;*
 - b) *Instructed to accept only direct transfers to institutions on the Council's approved list;*
 - c) *Instructed that changes to the list will be authorised in writing; and*
 - d) *Issued with instructions not to process any transaction where the sum to be invested would exceed the maximum specified in the policy document.*
 - *Review the relevant bank statements and confirm that:*
 - a) *Statements are regularly received;*
 - b) *All loans raised and loan payments were made directly to and from the Council's bank and that cheques were not raised, and*
 - c) *Each transaction was traced to the statement by an employee independent of the TM staff who signed the document as checked and agreed.*
- 9.8.1. The Treasury Management Practices policy clearly outlines the procedures for banking arrangements ensuring that adequate controls and separation of duties are in place. Cash management guidance notes also refer.
- 9.8.2. Access to CHAPS is secure and restricted to authorised staff only. Access is gained through a unique username and password generated by a key fob assigned to each authorised individual. Access to the system is assigned through various security levels.

Section 2 – Matters Arising

- 9.8.3. Testing was carried out on 5 CHAPS payment forms to ensure payment details were correct and the form was signed by an authorised staff. The payments were traced back to the general ledger and bank statements. All supporting evidence and working papers are filed. All payments were found to be correct.
- 9.8.4. Bank statements are regularly received and daily / monthly bank reconciliation arrangements are in place (see MAS audit review). It was confirmed that TM payments are automated directly to and from the Council's bank account and cheque payments are not raised for this purpose.

Conclusion – Satisfactory arrangements are in place regarding payments.

9.9. Use of External Providers

Method of Review:

- *Confirm that the Council's Financial Procedure Rules require external service providers to be subject to competitive tendering at least every four years.*
- *Check that the terms and conditions of the external service providers contracts clearly specify their duties, responsibilities and fees payable.*
- *Confirm that brokers have been provided with a list of staff authorised to approve borrowing or lending decisions.*
- *Review recent broker record sheets and check that the terms and rates were compared in order to secure the best deal.*
- *Trace to the investment records or broker note and confirm that details agree.*

9.9.1. The Treasury Consultancy Services was due for tender in March 2011. The Financial Services Manager explained that the current contract with Sector was extended with the original contractual terms and conditions for a further two years, commencing on 1st April 2011 until 31st March 2013 given the value of the tender £16,716 per annum and lack of provider competitiveness in this field. The Director of Resources will review the current situation prior to the end of March 2013 ahead of meeting with Sector.

9.9.2. Treasury Management Practices (TMP11) covers the use of external consultants/advisers services.

9.9.3. The Council use Money Brokers to provide specialist advice to identify the best deals for temporary borrowing, investment and long term borrowing.

9.9.4. It was confirmed that the Council provide all external service providers with a staff authorisation list to ensure data information security.

9.9.5. External service providers are monitored on a regular basis to ensure the council are receiving accurate information in order to secure the best deal.

9.9.6. Testing was carried out on information received from Sector against Treasury Management records. All entries were found to be correct.

Conclusion – Satisfactory arrangements are in place regarding the use of external providers.

Section 2 – Matters Arising

9.10. Fraud Prevention & Data Security Measures

Method of Review:

- *By enquiry with TM staff check that they are aware of and have access to a copy of the Anti Money Laundering Policy and how and to whom suspicion of fraud should be reported.*
- *Inspect the Council's fidelity guarantee insurance cover and confirm that all relevant staff are covered and the amount of cover provided is satisfactory*
- *Examine the list of employees authorised to negotiate transactions on behalf of the Council and confirm:*
 - *It is up to date; and*
 - *A copy was provided to each approved investment institution, broker etc.*
- *Confirm that all transactions can be traced back to the individual who undertook the transaction.*
- *By enquiry confirm that:*
 - a) *Personal/classified files and records are held in secure filing cabinets that are locked when not in use;*
 - b) *Adequate controls are in place to prevent unauthorised persons from accessing the files and records;*
 - c) *The area is secure and environmentally satisfactory; and*
 - d) *The files are satisfactorily marked and filed to enable them to be easily located.*

9.10.1. An examination of the Information Commissioner's website confirmed that Treasury Management is registered on the Data Protection Register. The date of expiry is 22nd October 2013.

9.10.2. It was confirmed that all staff relevant to Treasury Management are aware of the Anti Money Laundering Policy, its contents and the appropriate action that would be expected regarding any suspicious actions / movement.

9.10.3. It was confirmed that all relevant staff are listed on the Fidelity Guarantee Insurance Policy and the amount of cover is satisfactory for its purpose. This cover is limited to £10m for nominated officers. It was noted on the policy that the Director of Resources is incorrectly named and listed as Assistant Director (Resources). Ideally, the insurance company should be informed to ensure the correct title is stated on the renewal policy from 1st May 2013.

9.10.4. The authority also has a 'Professional Indemnity' insurance policy which covers loss to the Council from the actions and advice of its officers which are negligent and without due care. This cover is limited to £5m for any one event with an excess of £5,000 for any one event. The Council also has a 'Business Interruption' cover as part of its property insurance.

9.10.5. It was confirmed that registered dealers (authorised staff) who negotiate and carry out transactions are listed in the Treasury Management Practices (May 2012) section 5 ref 5.6. Brokers/Counterparties receive a copy for their records.

9.10.6. Each transaction can be traced back via the activity summary which indicates the individual member of staff undertook the dealing/transaction.

9.10.7. It was confirmed that documentation relating to Treasury Management are kept in lock filing cabinets and held on secure network servers/databases accessible to authorised staff.

Section 2 – Matters Arising

Conclusion – Satisfactory arrangements are in place regarding fraud prevention and data security measures.

APPENDIX A

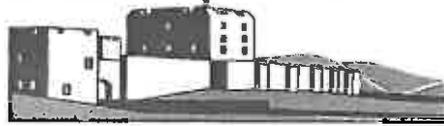
RESOURCES DIRECTORATE

Audit of Treasury Management

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	The Treasury Management Practices policy states the incorrect overdraft facility amount.	The Treasury Management Practices policy should be amended to reflect the new overdraft facility amount of £100,000.	C	Agreed – now reflected in the TMP's. However the cash flow monitoring document (used for daily investment decisions) has reflected the updated overdraft facility amount since October 2012.	Chief Accountant	April 2013

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AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council
and Copeland Borough Council*

FINAL REPORT

Audit of Systems Administration

Draft Report Issued: 29th January 2013

Final Report Issued: 25th March 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Systems Administration was identified for review as part of the agreed Audit Plan for 2012/13.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Resources Financial Services Manager <ul style="list-style-type: none"> • Shared ICT Service Manager, ICT • Principal Finance/Systems Officer • Service Support Team Leader • Property Services Manager • 	Report to be noted. Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Director of Economic Development <ul style="list-style-type: none"> • LLPG/Acolaid Technical Officer 	Report to be noted. Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Director of Local Environment <ul style="list-style-type: none"> • Environmental Health Manager • Systems & Development Officer • Waste Services Operations Manager • Neighbourhood & Green Spaces Manager • Training Co-ordinator 	Report to be noted. Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
<ul style="list-style-type: none"> • Learning & Development Co-ordinator 	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Director of Community Engagement Shares Services Performance Manager, Revenues & Benefits <ul style="list-style-type: none"> • Customer Services Manager 	Report to be noted. Action required. Please refer to Appendix A – Summary of Recommendations / Action Plan.

- 2.2. Other recipients of the final report:

Chief Executive Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting on 15 th April 2013.

Section 1 – Management Summary

3. BACKGROUND INFORMATION

- 3.1. Past audits across a range of service areas which involve the use of corporate IT systems have highlighted concerns over the process followed and the controls in place to ensure that sound IT system administration arrangements are in place. It is important to understand that before accessing these corporate systems, all authorised users need to gain access to the secure network via a unique log on and password. This is the first layer of IT security. A detailed review of network controls has been examined by Internal Audit earlier in 2012 and therefore do not form part of this audit review.
- 3.2. It was established that users' access rights and permissions for individual IT systems are not always regularly reviewed by systems administrators. Examples of the issues raised by previous audit reviews include:
- Users who have left the Council have been found to remained 'live' on systems and still have access rights and user permissions;
 - Occasions have been found where permissions for selected users were via shared log-ons and passwords.
 - Users access rights and permissions have not always been suspended for individual users who are not at work for lengthy periods e.g. maternity leave, LT sickness.
 - Breakdown in communication when a employee leaves the authority resulting in the various IT permissions not being sufficiently circulated to the appropriate system administrators and timely action taken to remove them from corporate system.
 - Insufficient documentation and management authorisation to support access granted to individual users.
- 3.3. The key message arising from past audits is that systems administrators should implement a robust and holistic approach to ensure system users permissions and access controls are appropriate. This audit review helps to ensure a robust and holistic approach is taken at a corporate level to address the system administrative issues previously raised.
- 3.4. This audit concentrated of the system administrative arrangements in place for the following 7 corporate systems:
- Acolaid (Housing, Building Control and Development Management))
 - Flare (Local Environment)
 - Creditors (Finance)
 - ICON (Cash Receipting)
 - Academy (Revenues & Benefits)
 - MASS (Property)
 - CRM (Customer Services)
- 3.5. A questionnaire was used to gather information pertinent to the audit review; follow up meetings were then undertaken as necessary. Matters arising from this exercise are incorporated within section 2 of this report.
- 3.6. An extended systems development visit for the Flare system was undertaken by Civica in late August 2012. Relevant extracts from this report are referred to within this section 2 of this report.

Section 1 – Management Summary

4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and a detailed findings are shown in Section 2 of this report – Matters Arising.

Section	Area Examined
1.	Legislative Compliance
2.	System Administrators
3.	Logical System Controls
4.	User Security Controls
5.	In Year Verification of User Access Rights and Permissions

- 4.2. The scope and testing undertaken as part of this review reflects identified risks specific to Systems Administration which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to directorate's operational risk registers should be made. If risks are of a strategic nature, these will be review by the Corporate Risk Management Group.

5. RECOMMENDATIONS

- 5.1. There are 14 recommendations arising from this review :

- 7 at grade B
- 7 at grade C

6. STATEMENT OF ASSURANCE

- 6.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within Systems Administration provide **Reasonable** assurance.

7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 7.1. The **reasonable** assurance level provided by this audit has been influenced by a number of factors: including stability of systems audited, non adherence to procedures and the number of significant recommendations made.
- 7.2. A number of opportunities to further enhance controls have been identified and these are shown in Appendix A – Summary of Audit Recommendations and Action Plan. The key issues arising from this review can be summarised as follows:
- 7.2.1. A responsible officer should be formally assigned to each corporate system to ensure monitoring compliance with legislation; no such arrangements are in place for the CRM and Flare systems.
- 7.2.2. Improved data retention and archiving arrangements should be improved for some of the systems examined;

Section 1 – Management Summary

- 7.2.3. Management should ensure that as far as possible, those with system administrators status should have limited / no processing responsibilities.
- 7.2.4. A 'New Users' form should be developed for each corporate system and e-mails and all other appropriate documentation should be to be retained for future reference if required.
- 7.2.5. Required improvements are needed to the format and use of the corporate leavers form; this includes:
- The identification of all corporate systems on the leavers form and the relevant system administrator contacts for each.
 - Better arrangements introduced by Service Support (Personnel) to disseminate the leavers information to the appropriate system administrators without delay.

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

APPENDIX A

RESOURCES (ICT) DIRECTORATE

Audit of Systems Administration

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	It is unclear whether there is a responsible officer formally assigned to the monitoring of compliance with legislation for the FLARE system.	Monitoring compliance with legislative requirements for the FLARE system must be formally assigned to and undertaken by responsible officers.	B	Systems & Development Officer designated as the responsible officer and to support Service Managers in identifying legislation regarding their area within Local Environment and the FLARE system and monitor accordingly. Systems & Development Officer to implement a system of monitoring compliance.	Systems & Development Officer Environmental Health Manager (Environmental Health) Waste Services Operation Manager (Waste) Neighbourhoods & Green Spaces Manager (Green Spaces)	Immediate effect
R2	Records remain on the SRU and MAU Flare database dating back to 2003.	A weeding process in line with the Authority's data retention and data protection policies should be undertaken for aged records in Local Environment from 2003 onwards.	B	Systems & Development Officer to set in place data retention policy in line with legislation and to co-ordinate the weeding process.	Systems & Development Officer	30/09/13
R3	Lack of system administration support on the MASS database.	MASS system administration support should be widened in line with the implementation of the new in-house	C	Mass is being phased out and replaced by new internal property database (PAD) which	Property Services Manager	31/03/13

		database.		is being developed at the moment. In the interim there is no point in changing the existing administrative set up. PAD will be accessible to more property staff once implemented. Various staff access levels will be administered.	
R4	There is no division of duties with regards to processing duties within Academy.	Management should ensure that as far as possible, system administrators have limited/no processing responsibilities within Academy.	B	Administration privileges are contained within ICT Connect and the Members of the Performance Team. Members of the Performance Team may amend a Council Tax or NNDR account or a Benefit Claim but that would be by exception rather than anything routine. The types of accounts/claims they would amend are those with exceptional integrity problems that cannot be resolved without specialist knowledge and administrator access. These are very much the exception rather than of any volume and it is safer that administrators deal with these problems as they can affect financial balancing, subsidy and batch processes if not corrected and corrected appropriately/holistically. Agreed – No further action required.	Shared Service Performance Manager – Revenues & Benefits Complete
R5	Within FLARE some	Defined roles and responsibilities	B	.A defined structure of Users, Agreed – No further action required.	Systems & 30/09/13

	<p>Technical Clerks are performing system administration duties whilst also processing and inputting data.</p> <p>There is no separate password which defines the division of level access regarding processing and system administration.</p>	<p>should be identified for staff with regards to the processing and parameter changes within the Flare system.</p> <p>Staff with data processing and system administration duties should be issued with separate passwords.</p>		<p>Super Users and Administrators to be put in place by the Systems & Development Officer in consultation with Local Environment Service Managers.</p> <p>Separate passwords to be issued to the Technical Clerks</p>	<p>Development Officer</p>	
R6	<p>Users are not prompted to change their passwords frequently/routinely and are able to access Acolaid after numerous failed attempts.</p>	<p>The LLPG/Acolaid Technical Officer should:</p> <p>(a) Contact system suppliers (Itox) to identify the possibility of implementing a program to prompt users to change their passwords regularly and;</p> <p>(b) To ensure that passwords require the system administrator to reset password access after numerous failed password attempts.</p>	C	<p>This has been noted and will be discussed at the next maintenance visit from Itox.</p> <p>This recommendation is suspected to be treated as a development item which could take some time.</p>	<p>LLPG/Acolaid Technical Officer</p>	Ongoing
R7	<p>Users are not prompted to change their passwords frequently/routinely.</p>	<p>The Customer Services Manager for CRM should contact ictCONNECT to identify the possibility of strengthening and prompting users regularly to change their passwords.</p>	C	<p>A change request for the system has been put into the software supplier to strengthen the password provision. This is not possible currently.</p>	<p>Customer Services Manager</p>	Ongoing
R8	<p>There are no system application logs for failed password attempts for any of the Authority's corporate systems.</p>	<p>System administrators should liaise with ictCONNECT with regards to developing system application logs for all corporate systems to ensure that all failed password attempts are logged correctly and highlighted to the</p>	C	<p>All Corporate systems will be investigated a suitable system will be implemented to record failed password attempts where applicable. Reports will then be distributed to system</p>	<p>Applications & Information Manager</p>	01/04/14

R9	System Administrators do not receive notification documentation for setting up new users on all corporate systems.	System Administrators. A 'New Users' form should be developed for each corporate system and e-mails and all other appropriate documentation should be to be retained for future reference if required.	B	administrators. Once the 'New Users' form is developed by Service Support a retention period should be established by the Corporate Information Officer. Also, the use of e-forms should be investigated to make the process more efficient.	Service Support, HR and Corporate Information Officer	31/03/13
R10	Users of the corporate systems are not requested by the authority to sign declaration forms for data protection purposes.	Staff should be requested to sign a declaration form before using each system regarding proper system use and control of data. This should be retained for reference and aid data protection purposes.	B	Agreed. Retention period should be established and the use of e-forms.	Corporate Information Officer and System Administrators	31/03/13
R11	Staff are not receiving the required Data Protection and Code of Conduct training as required.	An e-mail to all staff should be issued with a reminder regarding data protection and Code of Conduct responsibilities. This also may be perused through the e-learning system.	C	Data protection workshops are currently taking place which all staff are enrolled on which are facilitated by the Corporate Information Officer. Previously to this, it featured as part of the Ethical Governance Rolling Programme and there is a Learning Pool module on the E-Learning system. The Code of Conduct features in the Ethical Governance Rolling Programme for both staff and Members. The possibilities of setting up an e-Learning module to be overseen by the Director of Governance. Staff although not employed by Carlisle City Council should be reminded of the data protection as they are required to follow	Corporate Information Officer & Learning & Development Co-ordinator	Ongoing

R12	System Administrators are not receiving the necessary leaver's documentation to remove users for corporate systems.	The Zeus system should be updated to end all leavers from the authority upon receipt of the leavers form.	C	the authorities Code of Conduct.	Service Support Team Leader	30/09/13
R13	IT access for staff leaving the Authority is not always controlled which results in users remaining live on corporate systems after leaving the authority.	Key improvements to the use and contents of the corporate leavers form are required: (a) The corporate leavers form requires updating to incorporate all corporate systems and the system administrator contact for each. (b) The corporate leavers form should be fully utilised by all. Information held on the form regarding individuals' IT access should be disseminated by Service Support (Personnel) to the appropriate system administrators without delay. System administrators should then ensure that staff are removed / suspended from all applicable corporate systems.	B	An electronic intelligent form will be investigated and designed for use by relevant officers which would have the ability to inform system administrators in order that they can remove users from corporate systems.	Application & Information Manager	01/04/14
R14	The FLARE Extended Systems Development visit highlighted the following issues: (a) There were a number of users who had been	(a) An investigation should be conducted to ascertain	C	Systems & Development Officer to investigate and co-ordinate	Systems & Development Officer	30/09/13

<p>logged on for a number of days. This may be due to a network connectivity issue or incorrect use of the system.</p>	<p>whether this is a network connectivity issue or incorrect use of the system. Users should ensure that all programs and database are closed down correctly on a daily basis. An email should be circulated to remind all staff and continuous monitoring should be undertaken.</p>		<p>actions.</p>	
<p>(b) The Premises Database contains a number of blank and unverified records.</p> <p>(c) The above issues may point to a training requirement.</p>	<p>(b) FLARE database records should be checked and all blank records should be deleted on the FLARE PRU system.</p> <p>(c) Training needs to be identified and regular knowledge sharing practices to be put in place.</p> <p>Training budget to be identified and made available where appropriate.</p>	<p>C</p> <p>C</p>	<p>Systems & Development Officer to conduct a data cleanse and to co-ordinate the future management of Premises data.</p> <p>Systems & Development Officer to implement.</p> <p>Local Environment Service Managers to identify a training budget and inform System & Development Officer.</p>	<p>30/09/13</p> <p>30/03/13</p>



AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

FINAL REPORT

Audit of Bereavement Services

Draft Report Issued: 13th March 2013

Final Report Issued: 3rd April 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Bereavement Services was identified for review as part of the agreed Audit Plan for 2012/13.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The lead auditor for this review was Diane Strong.
- 2.2. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Local Environment	Report to be noted.
Neighbourhoods & Green Spaces Manager, Local Environment	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Bereavement Services Team Leader, Local Environment	Report to be noted.

- 2.3. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 15 April 2013.

3. BACKGROUND INFORMATION

- 3.1. The previous audit review of Bereavement Services Income was undertaken in 2011/12. It reported 6 recommendations all at grade B. A reasonable level of assurance was given as the recommendations mainly related to the adoption of 'corporate' systems to align with the Council's Financial Procedure Rules, rather than any specific issues with the systems and controls in operation resulting from the Cemetery office being a satellite site away from the main Council activity undertaken at the Civic Centre.
- 3.2. The total budgeted income and expenditure for 2012/13 comprises of:

Cemeteries (Detail Code 26510)		Crematorium (Detail Code 26520)	
Description	2012/13 Budget (£)	Description	2012/13 Budget (£)
Income		Income	
Burial Rights	74,900	Sale of Urns	6,200
Interments	149,800	Sale of Remembrance Cards	1,400
Burial Chapel Use	5,400	Inscriptions	14,200
Headstones	35,100	Cremation Fees	810,900
Donation Income	500	Memorial Wall Plaques	25,200
General Rent Income	1,500	Scattering of Ashes	700
Investment interest Received	5,000	Postage of Ashes and Bearer Duty	1,500
Total income	272,200	Total income	860,100
Total expenditure	214,700	Total expenditure	473,600
Surplus/(deficit)	57,400	Surplus/(deficit)	386,500

Source: Main Accounting System Ledger Codes 26510 and 26520

Section 1 – Management Summary

- 3.3. There are 3 sites under the Council's responsibility at present. Richardson Street, Upperby and Stanwix. The latter being much smaller sites, yet still regularly accruing income.
- 3.4. Neighbourhoods and Green Spaces Operational Risk Register indicated the following risks:
- High level** – none.
- Medium level** (1) shortage of burial space; and
(2) private sector competition.
(both risks above were covered during the 2011/12 internal audit review).
- Low level** (1) mechanical failure; and
(2) utilities failure.
- 3.5. The provision of the day to day management of cemeteries services is non-statutory; however, the Council does have a duty to ensure the environmentally protected disposal of the deceased.

4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review are:

Section	Area Examined
1.	Follow up of 2011/12 audit review recommendations including the outcome of the Lean Systems Thinking Review.
2.	Burial and Cremation Income
3.	Review Income & Expenditure. Budget v Actual
4.	Stock Control & Security
5.	Rectification of Work Undertaken Due to Error

- 4.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 4.3. The scope and testing undertaken as part of this review reflects inherent risks specific to Local Environment and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.4. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to Operational Risk Register should be made. If risks are of a strategic nature, these should be reviewed by the Corporate Risk Management Group.

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of Bereavement Services was previously carried out in 2011/12. Appendix A lists the recommendations made and the actions which have been taken to address these.
- 5.2. It is concluded that progress is being taken to implement all previous audit recommendations made which are to be actioned as part of the transfer of office arrangement, 2 of the 6 recommendation have been satisfactory implement and the remaining 4, which relate to the transfer of office from Richardson Street to the Crematorium, have a revised action date June 2013.

Section 1 – Management Summary

6. RECOMMENDATIONS

6.1. Recommendations arising from this audit review have been allocated a grade in line with the perceived level of risk. The grading system is outlined below:

GRADE	LEVEL OF RISK
A	Lack of, or failure to comply with, a key control leading to a *fundamental weakness as a result of non-compliance to statutory requirements and/or unnecessary exposure of risk to the Authority as a whole (e.g. reputation, financial etc).
B	Lack of, or failure to comply with, a key control leading to a significant system weakness.
C	Lack of, or failure to comply with, any other control, leading to system weakness.
D	For consideration only - action at manager's discretion.

6.2. There are 7 recommendations arising of which 3 are from this review and 4 are from a review of previous audit recommendations:

- 5 at grade B
- 1 at grade C; and
- 1 at grade D.

7. STATEMENT OF ASSURANCE

7.1. Audit assurance levels are applied to each review to assist Members and Officers in an assessment of the overall level of control and potential impact of any identified weaknesses. The assurance levels are:

Level	Evaluation
Substantial	Very high level of assurance can be given on the system/s of control in operation, based on the audit findings.
Reasonable	Whilst there is a reasonable system of control in operation, there are weaknesses that may put the system objectives at risk.
Restricted	Significant weakness/es have been identified in parts of the system of internal control which put the system objectives at risk.
Limited / None	Fundamental weaknesses have been identified in the system of internal control resulting in the control environment being unacceptably weak and expose the system objectives to a high degree of risk.

7.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Bereavement Services provide **Reasonable** assurance.

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

8.1. The **reasonable** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.

8.2. Areas of good practice noted included the continued general accuracy and reliability found within the administration of Bereavement Service who continue to provide a sensitive and much praised service by their users.

Section 1 – Management Summary

- 8.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B. The key issues arising from this review are:
- There is still some work to be done to successfully implement all previous audit recommendations that remain relevant. Specifically adopting the Council's main financial systems is a key part of these improvements.
 - Improvements to the planning and preparation of annual budgets.

Section 2 – Matters Arising

9. DETAILED FINDINGS & RECOMMENDATIONS

9.1. Lean System Thinking Review

Method of Review:

- *During the previous audit review reference was made to the Lean System Thinking Review (LSTR) that was being undertaken at the time. The remit for this review was to:*
 - *Determine the outcomes of the review;*
 - *Any timescales;*
 - *Actions taken; and*
 - *Obtain relevant information – reports, action plans and monitoring records etc.*

9.1.1. A Lean Systems Thinking Review was undertaken of Bereavement Services, by the Local Environment Performance Improvement Team. A report was subsequently produced dated September 2011. It was established that the following activities were undertaken in performing the review:

- Agreement of the purpose of Bereavement Services;
- Data gathered from the system;
- Establish customer feedback upon the service – i.e Funeral Director's;
- Identify demands placed upon the system;
- Map out workflow;
- Make proposals for change; and
- Redesign workflow.

9.1.2. The data gathered led to four proposals for change being put forward in regards to the provision of Bereavement Services, these were:

- Incorporate the Cemetery Office into the Crematorium;
- Use the Charges Review process to recover the costs of donation boxes and out of hours funerals;
- Revised opening hours at the Crematorium during the summer months; and
- Continue to operate as usual at weekends and Bank Holidays.

9.1.3. Internal Audit's opinion having reviewed the Lean System Thinking Review report was that:

- it was based on a narrow scope missing the opportunity to be widened the review to include greater assessment and coverage of 'key' stakeholders. The inclusion of all 'key' stakeholders may ensure customer service is maintained to an appropriate level and the service achieves its purpose whilst concentrating on activities that add value and are necessary;
- the main system re-design work relates to payments, but lacks specific detail. Other re-design work is limited and relates only to checks of documentation;
- there is no specific detail of the financial position, budget and actual income and expenditure;
- the customers considered were Funeral Directors only. Although the service may deal mainly with Funeral Directors, it is not recognised that these are acting on behalf of instructions from the customers. In Internal Audit's opinion customers' considerations should have come from a wider group in such a sensitive service area;
- the use of Customer Contact Centre is detailed however the use of 'corporate' systems as a whole is not detailed; and
- the allowance for 'occasional' customers the ability to pay on site may increase collection costs and the risk of security over collecting and transporting money.

9.1.4. The recommendations made from Lean System Thinking Review report were:

- Utilise the 2011 charges process as a means of recovering additional costs in respect of the use of donations boxes and for out of hours services;

Section 2 – Matters Arising

- Run a 3 month pilot scheme during the summer months of 2012 whereby the Crematorium operates on a 4 day weekly basis, with ongoing consultation with funeral director's; and
- Service migration of payments into the Customer Contact Centre for business customers, however allowing occasional customers the ability to pay on site.

9.1.5. Internal Audit verified with the Neighbourhood and Greens Space Manager that of the 3 recommendation the first 2 have been completed. The remaining recommendation referring to service migration relates to the transfer of office arrangements which takes place mid March 2013 with all service migration of payments completed by June 2013.

9.1.6. The outcomes from the report in terms of proposals and recommendations are clear, however there is no action plan detailing the specific objectives to be undertaken, responsible owners and target timescales.

See Recommendation R1

9.1.7 Follow up of previous audit recommendation R1 *"The manual cash receipting system (the Kalamazoo book) should be replaced with an electronic system - ICON the Corporate Cash Receipting system should be directly utilised by Bereavement Services. Action agreed – will be addressed by the Bereavement Services Lean Systems Thinking Review."* Internal Audit noted that this has not been implemented. The Neighbour-hoods & Green Spaces Manager advised there is one recommendation remaining outstanding from the Bereavement Services Lean Systems Review referring to service migration this relates to the transfer of office which will take place mid March 2013 with all service migration of payments completed by June 2013.

See Recommendation R2

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risk if not Actioned
R1	In future where such reviews are undertaken an actions plan should be prepared detailing specific objectives, responsible owners and target timescales.	D Objectives may not be achieved when there is no action plan, responsible owners and target timescales.
R2	The manual cash receipting system (the Kalamazoo book) should be replaced with an electronic system - ICON the Corporate Cash Receipting system should be directly utilised by Bereavement Services.	B Lack of service continuity if records lost e.g. due to fire. Incomplete audit trail of transactions.

9.2. Burial & Cremation Income

Method of Review:

- Check the receipt book to establish that all receipts are issued sequentially;
- Check that all cancelled receipts have been given an appropriate explanation and securely retained;
- Ensure that receipt books are stored securely and are controlled centrally;
- Select a sample of 10 Cemeteries and Crematorium debtor invoices. Ensure:
 - That invoices are issued in a timely manner;
 - Invoices issued reflect the services offered and supplied;
 - Payment is received within 26 days of issue of the invoice;
 - All service provision, costs and income were entered correctly in the BACAS system and in the receipt and deposit book (Kalamazoo);
 - Services were charged in line with 2012/13 charges booklet;
 - Receipt amount correlates to the invoice amount;
 - The relevant documentation was retained and filed appropriately;

Section 2 – Matters Arising

- Details had been transferred onto the income analysis included on the paying in slip;
- The paying in slip agreed to ICON (cash receipting system); and
- ICON is correctly transferred into the ledger.

- 9.2.1. Follow up of previous audit recommendation R3 ***"Invoices should be raised through the Council's corporate debtor system and the centralised debt recovery procedures should be applied."*** Internal Audit noted that this has not been implemented. The Neighbour-hoods & Green Spaces Manager advised this relates to the service migration and transfer of offices. Service migration and transfer of office will be completed by June 2013. **See Recommendation R3**
- 9.2.2. Follow up of previous audit recommendation R4 ***"The identification of outstanding debts and appropriate follow up action to be taken (including write off where relevant) should be through the Council's main debtors system"*** Internal Audit noted that this has not been implemented. The Neighbour-hoods & Green Spaces Manager advised this relates to the service migration and transfer of offices. Service migration and transfer of office will be completed by June 2013. **See Recommendation R4**
- 9.2.3. Internal audit testing of 10 debtors' invoices noted one exception where the debtor's invoice dated 4th April 2012 recorded the service charges for 2011/12 instead of 2012/13, resulting in the income due being understated by £8. **See Recommendation R5**
- 9.2.4. Follow up of previous recommendation R5 ***"BACAS should be reconciled to the Kalamazoo (or electronic record when recommendation R1 is implemented) to ensure its completeness and accuracy."*** Internal Audit noted that this has not been implemented. The Neighbour-hoods & Green Spaces Manager advised this relates to the service migration and transfer of offices. **See Recommendation R6**

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risk if not Actioned
R3	Invoices should be raised through the Council's corporate debtor system and the centralised debt recovery procedures should be applied.	B To ensure that authorised invoices in the approved format are issued.
R4	The identification of outstanding debts and appropriate follow up action to be taken (including write off where relevant) should be through the Council's main debtors system.	B There is no evidence of a formal system of outstanding debt monitoring, actions taken and write off.
R5	Staff should be reminded of the need to test check a sample of the service charges on debtors invoice in particular when commencing a new financial year to verify fee/charge rate applied are in accordance with the latest fees/charges booklet.	C The Council may not collect all income due.
R6	BACAS should be reconciled to the Kalamazoo (or electronic record when recommendation R1 is implemented) to ensure its completeness and accuracy.	B There is no evidence that the BACAS system is accurate and complete.

9.3. Review of Income & Expenditure: Budget v Actual

Method of Review:

- Review the income and expenditure. budget v actual:
 - Cost Centre Code 26510 – Cemeteries
 - Cost Centre Code 26520 – Crematorium

- 9.3.1. The formulation of budgets should be based upon service delivery to be undertaken during that financial year. Income and expenditure should be planned where possible to deliver the service and so some income and expenditure requirements should be known with certainty (easily

Section 2 – Matters Arising

planned for) and others calculated with reasonable certainty (based on previous financial year outturns alongside current service requirements and projections). A degree of flexibility should be built in to deal with any unplanned income/expenditure arising during the year and this flexibility is generally through the virement process and management of budgets.

9.3.2. Internal Audit compared the Cemeteries and Crematorium income and expenditure budget and actual performance for the current financial year (actual to early period 10) to that of the previous 3 financial years and noted the following:

- Budgets with values <£5000 have been set for Cemeteries equipment maintenance contract and investment income received for the current and previous 3 financial years when records show that these budgets have not been utilised and should be removed;
- Budgets with values <£5000 have been set to a similar value for the current and previous financial years for Cemeteries; memorial expenses and uniform and protective clothing and for Crematorium; meter water charges, equipment leasing charges, uniform and protective clothing, postages and equipment maintenance contract when records show these budgets have been significantly under utilised since 2009/10; and
- actual expenditure was incurred for catering provisions when no budget was set, this is a breach of para. B.17 of the Council's Financial Procedure Rules which states: ***"expenditure is committed only against an approved budget head"***.

9.3.3. Although the income and expenditure budget values are <£5,000 there is evidence that demonstrates the budgets are not reviewed in line with the service provision and based on the previous financial years outturns. **See Recommendation R7**

9.3.4. Each month the Senior Finance Assistant extracts and prepares the Local Environment Directorate summary monitoring statement from the General Ledger. This analysis includes the Bereavement Services income and expenditure budgets and variances. As at period 10 2012-13 the Statement showed the following:

	Budget to-date £	Actual to-date £	Variance £ + / (-)
Crematorium			
Income	713,883	728,167	(14,284)
Expenditure	404,049	382,093	(21,956)
	309,834	346,074	(36,240)
Cemeteries			
Income	224,444	218,311	6,133
Expenditure	209,966	204,166	(5,800)
	14,478	14,145	333

9.3.5. It was verified that the Summary Monitoring Statement and Local Environment Director Budget Monitoring Report for period 10 was in accordance with the Council's Budget Monitoring Procedures. Where budget variances exceed £10,000, these are identified, reported, and explanations obtained from the relevant budget holders and corrective action taken where required.

Section 2 – Matters Arising

RECOMMENDATIONS		
Ref	Recommendation & Grade	Risk if not Actioned
R7	As part of the 2013/14 Cemeteries and Crematoriums budget setting process, budgets should be removed when not utilised and reviewed when there is evidence of being under-utilised in previous years. In addition budget holders should be reminded of the need to ensure that expenditure should not be incurred when no budget is available.	<p style="text-align: center;">B</p> <p>Budget set may not reflect service provision expected.</p> <p>Resources maybe allocated without relevant and reliable planning.</p> <p>Budget allocations maybe set above what is required therefore may lead to inappropriate spending.</p>

9.4. Stock Control & Security

Method of Review:

- *Contacted Bereavement Services Team Leader requesting details of stock control measures in place. Including:*
 - *Stock held and records maintained;*
 - *Determination of replenishment,*
 - *Write-off procedures/arrangements,*
 - *Where stock is held, who has access and security arrangements; and*
 - *How stock is accounted for on an annual basis.*

9.4.1. Internal Audit was advised that all saleable cremation urns and caskets are held securely in the crematorium building, which is alarmed, and a large locked steel container situated in the service yard at the Crematorium. Only Bereavement Services staff have access to it. Coffins are no longer sold.

9.4.2. All stock is replenished when required/running low. The Bereavement Services Team Leader has an inventory file listing all office items, which is updated as and when required.

9.4.3. An end of year stock check, for Finance, is undertaken showing monetary values of any outstanding stock.

9.5. Rectification of Work Undertaken Due to Error

Method of Review:

- *Obtain details of any corporate complaints recorded on the register maintained by Customer Services;*
- *Discuss with Bereavement Services the process and procedure applied as/when complaints arise; and*
- *Review documentation and details of a known complaint to ensure it was appropriately dealt with.*

9.5.1. Internal Audit verified that there were no corporate complaints made in connection with Bereavement Services. Discussion with staff at the Cemetery Office revealed that any valid complaints received would be dealt at operational level where possible. Those complaints that could not be dealt with would then be passed to the Neighbourhood and Green Spaces Manager.

Section 2 – Matters Arising

9.5.2. The Green Spaces Manager confirmed of having recently dealt with one complaint but that it had now been resolved. The relevant documentation was obtained, reviewed and confirmed this to be the case.

LOCAL ENVIRONMENT DIRECTORATE
 AUDIT FOLLOW UP OF BEREAVEMENT SERVICES
Final report issued 20 October 2011

SUMMARY OF PREVIOUS RECOMMENDATIONS

REF	ORIGINAL RECOMMENDATION	GRADE	AGREED ACTION	ACTION TAKEN AS AT NOV 2012	SUCCESSFULLY IMPLEMENTED (Completed by Internal Audit)
R2	On the reverse of the pay in slip the cash element should be individually recorded (in accordance with cash receipts received) by noting the receipt number and totalled to agree with the pay in slip cash total.	B	Action agreed – will be addressed by the Bereavement Services Lean Systems Thinking Review. N.B. Bereavement Services administration staff have agreed in the meantime to implement the recommendation immediately. Responsible officer: Neighbourhoods & Green Spaces Manager Target date: April 2012	Per recommendation.	Implemented.
R6	There should be greater evidence available to demonstrate that operational risks are being appropriately managed.	B	Responsible officer: Neighbourhoods & Green Spaces Manager Target date: April 2012	Yes.	Implemented.

LOCAL ENVIRONMENT DIRECTORATE

Audit of Bereavement Services

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	In future where such reviews are undertaken an actions plan should be prepared detailing specific objectives, responsible owners and target timescales.	An actions plan should be prepared detailing specific objectives, responsible owners and target timescales.	D	Noted.	Not applicable	Not applicable
R2	Follow up of previous audit recommendation R1 "The manual cash receipting system (the Kalamazoo book) should be replaced with an electronic system - ICON the Corporate Cash Receipting system should be directly utilised by Bereavement Services. Action agreed - will be addressed by the Bereavement Services Lean Systems Thinking Review." Internal Audit noted that this has not been implemented. The Neighbour-hoods & Green Spaces Manager advised there is one recommendation remaining outstanding from the Bereavement Services Lean Systems Review referring to service migration this relates to the transfer of office which will take place mid March 2013 with all service migration of payments completed by June 2013.	The manual cash receipting system (the Kalamazoo book) should be replaced with an electronic system - ICON the Corporate Cash Receipting system should be directly utilised by Bereavement Services.	B	Service migration and transfer of office will be completed by June 2013.	Neighbour-hoods & Green Spaces Manager	30 June 2013
R3	Follow up of previous audit recommendation R3 "Invoices should be raised through the Council's corporate debtor system and the centralised debt	Invoices should be raised through the Council's corporate debtor system and the	B	Service migration and transfer of offices will be completed by June 2013.	Neighbour-hoods & Green	30 June 2013

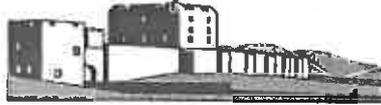
APPENDIX B

		centralised debt recovery procedures should be applied.			Spaces Manager	
R4	<p><i>recovery procedures should be applied.</i>" Internal Audit noted that this has not been implemented. The Neighbourhoods & Green Spaces Manager advised this relates to the service migration and transfer of offices.</p> <p>Follow up of previous audit recommendation R4 "<i>The identification of outstanding debts and appropriate follow up action to be taken (including write off where relevant) should be through the Council's main debtors system.</i>" Internal Audit noted that this has not been implemented. The Neighbourhoods & Green Spaces Manager advised this relates to the service migration and transfer of offices.</p>	<p>The identification of outstanding debts and appropriate follow up action to be taken (including write off where relevant) should be through the Council's main debtors system.</p>	B	Service migration and transfer of office will be completed by June 2013.	Neighbourhoods & Green Spaces Manager	30 June 2013
R5	<p>Internal audit testing of 10 debtors' invoices noted one exception where the debtor's invoice dated 4th April 2012 recorded the service charges for 2011/12 instead of 2012/13, resulting in the income due being understated by £8.</p>	<p>Staff should be reminded of the need to test check a sample of the service charges on debtors invoice in particular when commencing a new financial year to verify fee/charge rate applied are in accordance with the latest fees/charges booklet.</p>	C	The Bereavement Services team leader will instigate 'test checks' on a sample of Debtors invoices to ensure they are being charged at the up-to-date rate.	Neighbourhoods & Green Spaces Manager	30 April 2013
R6	<p>Follow up of previous recommendation R5 "<i>BACAS should be reconciled to the Kalamazoo (or electronic record when recommendation R1 is implemented) to ensure its completeness and accuracy.</i>" Internal Audit noted that this has not been implemented. The Neighbourhoods & Green Spaces Manager advised this relates to the service migration and transfer of offices.</p>	<p>BACAS should be reconciled to the Kalamazoo (or electronic record when recommendation R1 is implemented) to ensure its completeness and accuracy.</p>	B	Service migration and transfer of office will be completed by June 2013.	Neighbourhoods & Green Spaces Manager	30 June 2013
R7	<p>Internal Audit testing of Cemeteries and Crematorium income and expenditure</p>	<p>As part of the 2013/14 Cemeteries and Crematoriums</p>	B	A continuous review of budgets is on-going involving the service	Neighbourhoods &	30 April 2013

APPENDIX B

	<p>budgets noted that some budgets with values < £5000 had been set at the same values for 4 years, including the current year, when the financial out-turns for the previous 3 years showed these budgets had not been utilised or had been under utilised. One exception was noted where expenditure had been incurred when no budget was set this is a breach of para. B17 of the Financial Procedure Rules.</p>	<p>budget setting process, budgets should be removed when not utilised and reviewed when there is evidence of being under utilised in previous years. In addition budget holders should be reminded of the need to ensure that expenditure should not be incurred when no budget is available.</p>	<p>manager and senior accountability assistant to identify under-utilised budgets and use them to offset spending pressures elsewhere in Bereavement Services. Recurring virements will be prepared as necessary. Officers will be reminded of the Financial Procedures which prohibit the use of codes where no budget is allocated.</p>	<p>Green Spaces Manager</p>	
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AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

FINAL REPORT

Audit of Car Parking Income.

Draft Report Issued: 4th Feb 2013

Revised Draft Issued: 19th Feb 2013

Final Report Issued: 28th March 2013

Section 2 – Matters Arising

1. REASON FOR THE AUDIT

- 1.1. The audit of Car Parking Income forms part of the annual programme of material reviews, which focus on the fundamental systems of the Authority. These systems have a high impact on the Main Accounting System and therefore on the Authority's accounts.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Local Environment.	Report to be noted.
Director of Resources.	Report to be noted.
Director of Governance	Report to be noted.
Highways Services Manager Local Environment.	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.
Financial Services Manager Resources Directorate.	Action required. Please refer to Appendix B - Summary of Recommendations / Action Plan.

- 2.2. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix B) at its next meeting on 15 th April 2013.

3. BACKGROUND INFORMATION

- 3.1. Parking Services is part of Highways; a division of the Local Environment Directorate.
- 3.2. Parking operations in Carlisle cover the city centre, urban and rural areas within the whole of the Carlisle District. Parking Services is responsible for:
- 14 Pay and Display Car Parks.
 - 2 Free Time Limited Car Parks (disc zone).
 - 8 Free Car Parks.
 - 9 Permit Holder Only Car Parks.
 - 9 Resident Parking Zones.
- 3.3. Overall there are over 2,500 off-street parking spaces and over 5,000 on-street parking spaces which have to be managed within the City. The Council also carries out the civil enforcement parking operations on behalf of Eden District Council and recovery for South Lakes District Council.
- 3.4. To meet the operational demands of the service, Carlisle City Council employs 13 staff as Civil Enforcement Officers (CEO's).

Section 2 – Matters Arising

- 3.5. A further 5.5 staff are employed to work in the 'back office' to process the Penalty Charge Notices (PCN's) issued and respond to the informal and formal representations received. These staff are also responsible for issuing Residents Parking Permits, Waivers and Dispensations, Contractor's Permits and Saver Parking Permits for use within the City Council's car parks.
- 3.6. In the Carlisle district, Cumbria County Council is the enforcement authority responsible for all the on-street parking restrictions, however Carlisle City Council carries out the on-street enforcement on behalf of Cumbria County Council under the terms of an Agency Agreement.
- 3.7. The Secretary of States Transport Guidance (often referred to as the Statutory Guidance) which is published under section 87 of the Traffic Management Act (TMA) 2004 states the following:-
"Civil Parking Enforcement (CPE) is a means of achieving transport policy objectives. For good governance, enforcement authorities need to forecast revenue and expenditure in advance. But raising revenue should not be an objective of CPE, nor should authorities set targets for revenue or the number of PCN's they issue".
- 3.8. The judgement in R v LB Camden (ex parts Cran) made clear that the Road Traffic Regulation Act 1984 is not a revenue raising Act and quoted:
"Enforcement authorities should run their CPE operations (both on and off street) efficiently, effectively and economically. The purpose of penalty charges is to dissuade motorists from breaking parking restrictions. The objective of CPE should be 100% compliance, with no penalty charges. Parking charges and penalty charges should be proportionate, so authorities should not set them at unreasonable levels".
- 3.9. Previous guidance required that the local authority parking enforcement should be self-financing as soon as practicable. This is still a sensible aim, but compliant applications for CPE will be granted without the scheme being self-financing. However authorities will need to bear in mind that if their scheme is not self-financing, then they need to be certain that they can afford to pay for it from within existing funding. The Secretary of State will not expect either national or local taxpayers to meet any deficit.

4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review are:

Section	Area Examined
<i>Appendix A.</i>	<i>Follow up of 2011/12 Audit Review Recommendations.</i>
1.	General – Policies and Procedures.
2.	Cash Collection and Banking.
3.	Recovery Procedures (inc Review and Appeals)

- 4.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 4.3. The scope and testing undertaken as part of this review reflects inherent risks specific to Car Parking Income and those which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.4. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to operational risk register should be

Section 2 – Matters Arising

made. If risks are of a strategic nature, these should be reviewed by the Corporate Risk Management Group.

5. FOLLOW UP TO THE PREVIOUS AUDIT REVIEW

- 5.1. An audit of Car Parking Income was previously carried out in the last quarter of 2011/12. Appendix A lists the recommendations made and the actions which have been taken to address these.
- 5.2. It is concluded that although attempts have been made to resolve the highlighted issues, there are still a number of outstanding recommendations and therefore further action is required. These actions have been incorporated into Appendix B – Summary of Recommendations and Action Plan.

6. RECOMMENDATIONS

- 6.1. There are 8 recommendations arising from this review :

- 5 at grade B,
- 3 at grade C

7. STATEMENT OF ASSURANCE

- 7.1. 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**.

8. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 8.1. The **reasonable** assurance level given to an audit area can be influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 8.2. The following good practice measures were noted:
 - Existing back office staff that have significant experience and knowledge of associated civil parking enforcement legislation.
 - Well developed cash management and processing arrangement which are understood by all staff.
- 8.3. A number of opportunities to further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix B.
- 8.4. The key issues arising from this review are:
 - Documented Procedures

The Civil Enforcement Officers handbook requires updating, although management are aware of this and it will be amended as soon as resources allow.
 - Data Protection

A suitable solution is still being sought to enable the successful archiving of closed cases from the Chipside system.

Section 2 – Matters Arising

- Parking Permits.

There still remains the unresolved issue between the County Council and City Council regarding the reissue of resident's parking permit stock. This situation is unacceptable and should be resolved as soon as possible allowing for valid permit stocks to be replenished. The issue of photocopied permits offers little control and opens to whole system to abuse. It also impacts on the ability to robustly monitor permit in use issue PCNs which can be upheld.

- Security.

Civil Enforcement Officers are to be reminded that they must wear their protective equipment at all times when it is safe to do so.

The CCTV function is currently under review and at present a decision as to its future has not been confirmed. Any change to the CCTV service may impact on the Car Park Income Collection function and the associated risks in doing this need to be considered and mitigated.

- Independent Representation Panel.

There were a number of matters raised in regards to the Independent Representation Panel and its operational compliance to guidance within the Traffic Management Act 2004, namely:

- There were 2 occasions where the statutory 56 day limit for hearing representation was exceeded which led to PCNs being cancelled without being defended / upheld.
- Additional information should be supplied on the lists of decisions so that there is a more complete audit trail of the decisions taken along with reasons for those decisions.

LOCAL ENVIRONMENT DIRECTORATE
AUDIT FOLLOW UP OF CAR PARKING INCOME
Final report issued 9th of May 2012.

SUMMARY OF PREVIOUS RECOMMENDATIONS

REF	RECOMMENDATION	GRADE	ACTION TAKEN	SUCCESSFULLY IMPLEMENTED <i>(Completed by Internal Audit)</i>
R1	There needs to be an effective means of remove/archive closed cases so that personal details are archived. The Parking (Back Office) Team Leader should continue to liaise with the system manufacturer to determine the best approach.	B	This issue has been added to the Highways Services Risk Register and will be monitored regularly. This issue will continue to be raised at the CHIPSIDE User Group meetings as a solution will be beneficial to all users. The Parking Team Leader has asked for clarification from Audit as to exactly what details are required to be archived.	No. This is currently a work in progress. The request for clarification of retention details should be forwarded on to the Corporate Information Officer.
R2	All controlled stationary should be recorded and distributed accordingly to provide appropriate stick control and an audit trail.	B	The issuing of Staff and Saver Parking Permits are recorded. Temporary Parking Permits are not recorded as discussions with Customer Services. Who issue the permits, has failed to identify a practicable way of doing this. Visitor permits. Resident's permits and Guest House permits are not recorded at present but will be as soon as new stock is delivered. See R3.	Further discussions identified that it was not practicable for anyone to log the temporary permits given out when residents apply and pay for permits. These permits are never issued with an expiration date in excess of two weeks, in which time the permanent permit is processed and sent out. As both permits are vehicle specific, it would not be possible to apply the temporary permit to another vehicle.

APPENDIX A

R3	Carlisle City Council and Cumbria County Council must endeavour to resolve the issue of re-ordering permits to eliminate the use of photocopied permits.	B	Residents, Guest House and Visitor Permits have just been ordered but no delivery has yet taken place. When delivery takes place, the use of photocopied permits will cease.	Refer to Section 2 – Matters Arising para 9.1.6. / Recommendation 2 Yes, during further discussions it was identified that as at October 2012 the County Council had yet to give a decision on the replacement of permits and to cover the cost of this replacement which has been estimated at £7,000 approx.
R4	Explore the use and skills of the specialist in-house Revenues Recovery Team to determine whether local payment arrangements could be agreed, set up, monitored and pursued more effectively.	D	The Car Parking Staff are now checking payment arrangements on a 2 weekly basis to ensure that any issues are detected quickly and action can be taken. There is no advantage in using the Revenues Recovery Team due to the small number of agreements.	Refer to Section 2 – Matters Arising para 9.3.5.
R5	Management should closely monitor the operation of the Representation Panel to ensure that meetings continue to be held more regularly and cases for appeal are dealt with within the required timescale.	B	The Panel meetings are now held more frequently, every 3 weeks approx, to ensure that the 56 day deadline for responding should be achieved. The data on the system enables performance to be monitored.	Refer to Section 2 – Matters Arising para 9.3.16 / Recommendation 8.

LOCAL ENVIRONMENT DIRECTORATE
 Audit of Car Parking Income

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	Although still generally operational, the CEO procedures are outdated.	The Civil Enforcement Officers documented procedures should be updated as soon as possible.	B	The CEO Procedures manual is being updated and the revised version will be introduced as soon as available. Staff training will be undertaken as part of the introduction of the new version.	Highways Services Manager.	30/04/2013
R2 ⊗	Data protection and data retention implications relating to closed cases which are still held within the Chipside system	There needs to be an effective means to remove/archive closed cases so that personal details are archived. The Parking (Back Office) Team Leader should continue to liaise with the system manufacturer to determine the best approach.	B	As previously agreed the Parking Team Leader is continuing to liaise with the system manufacturer to seek a solution to the issue which is affecting all users of this system nationally. Advice from the Corporate Information Officer will be sought regarding recommended retention periods.	Highways Services Manager/Audit Manager.	Ongoing issue 30/04/2013
R3	There is a possibility that the CCTV coverage of cash collection routes may cease.	Management should consider the risks associated with any decision taken as to the future of CCTV provision in the city and the impact this may have on car parking cash collection coverage and develop mitigating actions to counteract/support this.	C	Management are addressing this issue.	Highways Services Manager.	30/04/2013

APPENDIX B

R4	The CEO's were not wearing security helmets at all times when transporting cash in public.	Security helmets should be worn at all times when visibly transporting cash as long as it is safe to do so (i.e. not driving).	B	Management are addressing this issue.	Highways Services Manager.	31/03/2013
R5	There are private car parks operating in the city centre without planning permission to do so.	Highways Services management should liaise with the Planning Section to ensure that the matter of illegally operating car parks within the city is resolved as a matter of priority.	C	Highways Services have previously raised this issue with Planning Services and still await a formal response from Planning as to the action that can, or has, been taken to ensure private car parks comply with the relevant legislation.	Highways Services Manager/ Planning Services.	Update requested from Planning 20/03/2013
R6	There is no formal agreement for provision of car park spaces for Tullie House Trust.	Management should consider negotiating revised car park arrangements with Tullie House with a view to either formalising the existing arrangements or agree a charge for the permits.	C	Parking Services continue to issue staff parking permits to Tullie House staff after receiving advice from Legal Services that the provision of staff parking permits was included in the staff transfer terms of employment. Parking Services will seek written confirmation from Legal that this information is correct before considering further action.	Highways Services Manager.	Confirmation requested from Legal services 20/03/2013
R7	<u>Independent Representation Panel.</u> None compliance to TMA 2004.	The maximum limit of 56 days to hear formal representation should not be exceeded.	B	The appeal panel meetings will now take place more frequently in order to achieve the 56 day response time. Panel members have been consulted and have agreed to more frequent meetings. Progress on this issue will be monitored by the City Engineer.	Highways Services Manager.	31/03/2013
R8	<u>Independent Representation Panel.</u> None compliance to TMA 2004	More detail is required on the Appeals List so that a clear audit trail of the decisions taken is evident.	B	For cases which are cancelled the officer who minutes the meetings will ensure more clarity is provided in the minutes of the full reasons for cancellation. Full details will also be	Highways Services Manager.	31/04/2013

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AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

FINAL REPORT

Audit of

CARLISLE LEISURE LIMITED (CLL) CLIENT CONTRACT

Draft Report Issued: 17th December 2012.

Revised Draft Issued: 5th March 2013.

Final Report Issued: 11th March 2013.

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Carlisle Leisure Limited (CLL) Client Contract was identified for review as part of the agreed Audit Plan for 2012/13. This is the first time that this area has been examined by Internal Audit.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The audit report has been distributed to the following officers.

Recipient	Action Required
Director of Community Engagement.	Action required. Please refer to Appendix A – Summary of Recommendations/Action Plan.
Director of Resources	For information.
Director of Governance	For information.
Communities, Housing and Health Manager, Community Engagement	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Wellbeing Manager, Community Engagement	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Policy & Performance Officer, Chief Executives Team.	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Chief Accountant, Resources Directorate	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Development & Support Manager, Resources	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Head of Financial Services, Resources	For information.
Policy and Communications Manager, Chief Executives Team.	For information.

- 2.2. Other recipients of the final report:

Chief Executive	Report to be noted.
Deputy Chief Executive	
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting on the 15 th of April 2013.

3. BACKGROUND INFORMATION

- 3.1. CLL is a not for profit organisation established in 2002, primarily for the purpose of managing the leisure facilities for Carlisle City Council. The Carlisle City Council contract encompasses the provision of Leisure Services at:-

- The Sands Centre,
- The Pools,
- Stonyholme Golf Course,
- The Swifts Golf Course,
- The Sheepmount,
- Bitts Park Pavilion and Tennis Courts, and

Section 1 – Management Summary

The one year rolling contract incorporating:-

- St James Park and Richardson Street Pavilion.

- 3.2. From the 1st of April 2004, CLL expanded by entering into additional partnerships with Allerdale Borough Council, Cumbria County Council and Richard Rose Morton Academy to reopen and operate a community swimming pool. In September 2005, Trinity Leisure Centre opened which is a partnership between Carlisle Leisure Limited and Trinity School.
- 3.3. As a company with charitable purposes, this status is recognised by the Inland Revenue and 80% mandatory business rate relief and VAT advantages are applied. Corporation tax is also payable. These financial arrangements enable the company to potentially reinvest any financial surplus back into the services it provides. Carlisle Leisure Limited is governed by the rules of an Industrial Provident Society set by the Financial Services Authority.
- 3.4. The contract with Carlisle City Council commenced on 1st December 2002 and is for a period of up to 15 years. It is due to expire in November 2017 and the annual contract sum, which is subject to inflation in line with the RPI is currently valued at £0.75m. The original Revenue Price Bid for the lifetime of the contract calculated in 2002 was £8,791,507 less RPI. Therefore this initial estimate, after taking into account previous and existing variations during the contract term, and previous and future inflationary factors, could value the whole contract at over £11 million in total.

4. SCOPE

- 4.1. Audit testing and verification have been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review are:

Section	Area Examined
1.	Client Risk Registers
2.	Contractual Agreement
3.	Performance Framework / Monitoring Arrangements
4.	Contract Payments
5.	Reporting and Accountability.

- 4.2. Detailed findings are shown in Section 2 of this report - Matters Arising.
- 4.3. The scope and testing undertaken as part of this review reflects identified risks specific to Carlisle Leisure Limited Client Contract. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.4. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to the operational risk register should be made. If risks are of a strategic nature, these should be reviewed by the Corporate Risk Management Group.

5. RECOMMENDATIONS

- 5.1. There are 10 recommendations arising from this review :
- 2 at grade A
 - 8 at grade B

Section 1 – Management Summary

6. STATEMENT OF ASSURANCE

- 6.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within Carlisle Leisure Limited (CLL) Client Contract provide **Restricted** assurance.

7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 7.1. The limited assurance level given to an audit area is influenced by a number of factors including the stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures etc.
- 7.2. A number of opportunities to improve existing arrangements and further enhance controls have been identified; these matters are detailed in Section 2 – Matters Arising and summarised in the Action Plan which is attached as Appendix A. The key issues arising from this review are:
- Overall, there has been limited monitoring of the CLL contract prior to the relatively new current management structure. This is a situation which was inherited and present management are working hard to correct this position and officers are in the process of developing a challenging and frank relationship with CLL, where performance and adherence to contractual terms will be challenged and quantified. Although not complete, there has been some progress made with regard to monitoring the contract compared to previous arrangements and officers fully recognise the issues which remain regarding further improvements to the contracting monitoring arrangements and are keen to develop these activities
 - Client Risk Registers.
The Council's risk management arrangements are not sufficiently developed as they do not reflect the existing risks and those emerging though the expiry of the existing contract. Clearer responsibilities, processes and delegations to those best placed to manage the identified risks are needed. The risks specific to operational service delivery should be formally identified, actively monitored and routinely reported to all concerned, along with mitigating actions developed and implemented where possible.
 - Contractual Agreements.
Whilst a detailed contractual agreement is in place, the Council's arrangements for ensuring this is delivered need to be improved upon. In practice, the original agreement is outdated in parts; nonetheless departments with responsibility for contract monitoring were not familiar with all the conditions of the contract, especially those terms regarding performance monitoring. There were also omissions to asset management, insurance provisions and financial statement information where it was found that annual renewals / records have not been provided to the client as standard and there are also no client monitoring arrangements in place to ensure the existence and accuracy of asset inventories.
 - Performance Framework/Monitoring Arrangements.
Revised quarterly performance management arrangements have been in place for 18 months though no formal contract variation has been put in place based on criteria developed since the contract was agreed. These current arrangements surrounding the performance framework/monitoring of the contract need improving. Whilst steps have been taken to improve the performance monitoring since 2011, further improvements are needed across the contract.
 - Contract Management.
A robust contract management arrangement is vital, especially on a contract of this size and complexity. The development and expansion of CLL during the life of this contract requires the Council to be challenging of the arrangements and seek verification, in good time, that CLL is executing the project in accordance with the original terms of the contract. If the

Section 1 – Management Summary

contract management is ineffective this can mean that decisions are not taken at the proper time thus allowing potential risks to appear, the opportunities to improve value for money are lost and the contractor's performance is not evaluated throughout the execution of the contract therefore not allowing for action to be taken to increase the performance and effectiveness.

- Standards of Service/Default in Performance.
The agreement clearly outlines the expected standards of service, and the penalties applicable if these were not achieved. Penalties have never been imposed. It would therefore be difficult to impose these requisites, if deemed necessary, so late on in the contractual term. It is of great importance that in any future contract negotiations that the application of the penalty system is introduced and subsequently applied as part of any comprehensive performance monitoring framework.
- Financial Monitoring.
CLL should be encouraged to be proactive in furnishing the Council with management and financial information so that any performance monitoring and review undertaken by the Council is properly informed.
- Payments.
CLL's expansion into West Cumbria superseded the original contract detail and no specific reference was included regarding how Carlisle City Council's contribution should be spent. This situation should be rectified when preparing any contract renewal.

The provision of relevant financial information has been insufficient in the past, however, steps have been taken to address this and in-house financial advice and input has been sought. Management should ensure that in the future, the Council takes ownership of the financial arrangements so to contribute towards the success of the agreement and ensure that the quality of service does not suffer.

- Reporting and Accountability.
Traditionally, over the period of the contract governance arrangements surrounding the CLL contract have not been adequate. Quarterly contract meetings have been in place since Jan 2011, however these need to be further developed and in the future should be the basis of reporting and accountability arrangements moving forward ensuring Senior Managers and Members are fully informed of the contract progress.

APPENDIX A

COMMUNITY ENGAGEMENT DIRECTORATE Audit of Carlisle Leisure Limited Client Contract.

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	The Council has not sufficiently considered risks associated with the ongoing delivery of leisure services by the external contractor. There is no mention of any risks of this nature in any strategic, operational or contract risk registers.	The risk of the CLL not fulfilling its contractual obligations should be reflected within the risk registers maintained by Community Engagement, with a suitable strategy to mitigate these risks. As part of this, contingency plans should be developed to handle contract failure (temporary or long-term failure or default).	B	Key risks to CLL are currently examined each quarter and include: <ul style="list-style-type: none"> Costed Asset Management Plans State of the economy/ Lack of disposable income, increase in interest rates, VAT increase, NNDR Catastrophic failure of plant, structure, machinery or large equipment Comprehensive Spending Review and pressure on council's to make savings <p>A greater emphasis will be placed on the risks to the City Council from 2013/14 and added to the Community Engagement risk register. Contingency plans will also be drawn up in the event of a contract failure.</p>	Director of Community Engagement.	May 2013.
R2	There is currently no defined client lead monitoring officer and other officers have assumed the responsibility for the	Previously, there has been no designated lead monitoring officer. Those officers that have now taken responsibility should be given the opportunity to become familiarised with	B	The Community Engagement Transformation process will address this. It is proposed that a senior management position with designated	Director of Community Engagement.	May 2013

APPENDIX A

	<p>ongoing contract monitoring arrangements. These current arrangements fall short in terms of providing a robust challenge and holding the contractor to account as the officer involved are not wholly familiar with the conditions of the contract as they were not involved in the original contract negotiations.</p>	<p>the detail with the contract and agreed variations to support ongoing contract monitoring arrangements. Advice from Legal should be sought to clarify contract terminology where necessary. This is an essential requirement which should ensure monitoring arrangements are enhanced and contractual detail is regularly challenged and reviewed as necessary, to meet evolving business needs.</p>		<p>contract monitoring responsibility be created within the Directorate. It is proposed to appoint to this post in Spring 2013.</p>		
<p>R3</p>	<p>Carlisle City Council does not maintain a current asset register which details the portfolio of assets held and managed by CLL.</p>	<p>An updated copy of the CLL asset register for the Carlisle City portfolio should be acquired immediately. CLL should be requested to provide the asset list annually and annual asset inspections should be performed by the Council to ensure equipment is present and fit for purpose.</p> <p>This is subject to Section 29 of the agreement.</p>	<p>B</p>	<p>CLL has been informed that it must provide an updated asset register annually. Spot checks will be undertaken to ensure accuracy and assurances sought that equipment is fit for purpose.</p>	<p>Director of Community Engagement.</p>	<p>June 2013.</p>
<p>R4</p>	<p>There was no evidence provided to assure that provision has been made within CLL's lease agreements for Carlisle City Council to take ownership of all leases if necessary.</p>	<p>Copies of all terms and conditions relating to all equipment leases should be acquired and examined by Financial Services. Assurance must be sought that the lease agreements have provision for the Council to potentially takeover ownership of the lease if the situation dictates.</p>	<p>B</p>	<p>Copies of all terms and conditions relating to equipment leases will be acquired. Financial Services will provide assurance that the Council are able to take ownership of leases if required</p>	<p>Director of Community Engagement/ Director of Resources.</p>	<p>May 2013.</p>

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R5	<p>There is no evidence to confirm CLL's non property insurance arrangements.</p>	<p>A copy of CLL's Carlisle City Council portfolio non-property insurance evidence for 2012/13 should be acquired immediately. Evidence should be sought from CLL to support the annual insurance arrangements in place. This should be subject to Sections 29 and 36 of the agreement</p>	B	<p>CLL has been informed that it must provide evidence to show that annual insurance arrangements are in place.</p>	<p>Director of Community Engagement.</p>	<p>April 2013.</p>
R6	<p>There is no specific officer delegated with overall responsibility for CLL Contract Management.</p> <p>There is limited client input into service performance.</p> <p>Data Quality arrangements when relying on third party information for contract monitoring and internal decision making purposes require strengthening.</p> <p>Not all of the performance indicators detailed in the contract documentation are monitored.</p>	<p><u>Monitoring Responsibility/Arrangements.</u></p> <p>a) A more robust contract monitoring arrangement is required.</p> <p>The CLL contract requires a designated City Council officer whose specific responsibility is to manage the operational delivery of the contract. monitor performance, provide effective challenge and liaise formally with CLL on a more constructed basis and enforce contractual provisions.</p> <p>b) Performance indicators (PIs) specified within the contract documentation should be examined and if considered fit for purpose, these should be used to underpin more robust contract monitoring activities and adopted as part of the quarterly monitoring</p>	B	<p>a) See R2 regarding the revised Community Engagement structure.</p> <p>b) The contractual PIs will be reevaluated in terms of their usefulness for contract monitoring. If they are deemed inappropriate a contract variation will be put into place.</p>	<p>Director of Community Engagement</p>	<p>May 2013.</p>

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<p>95</p>		<p>c) The Council should seek annual assurance, via a data quality statement from CLL which clearly specifies the quality of data expected, to measure and report on agreed performance indicators.</p> <p>d) The Council should have more input into the design and production of supplementary performance indicators. These should be developed to challenge current service performance and future service developments.</p>	<p>c) Data (other than financial information) quality/integrity could be externally or separately tested but it has not to date caused specific concerns. CLL will be asked to sign up to the Council's data quality statement.</p> <p>d) The PIs measured to date have provided us with a useful benchmark. The list will be reviewed and refreshed to ensure we are monitoring the most important aspects of CLL (including financial elements) and their service provision in time for the start of 2013/14.</p> <p>The PIs in the contract not currently measured are:</p> <ol style="list-style-type: none"> 1. <i>Percentage of residents, by gender, socio-economic status and disability, satisfied with the provision at each facility. <u>To be reviewed every three years.</u></i> <p>This will be picked up in 2013/14.</p> <p>CLL conducted a customer satisfaction feedback in 2012. The City Council received a copy.</p> <ol style="list-style-type: none"> 2. <i>Percentage of residents and non-residents, by gender, socio-</i> 		
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R7	Service Standards/Default in Performance Standards are not applied.	A revised comprehensive performance monitoring framework should be established and introduced (following R6), which includes the application of the penalty system to be applied if/when appropriate.	B	<p><i>economic status and disability, which use the facilities once a fortnight or more. To be reviewed every three years.</i></p> <p>This will be picked up in 2013/14. The new IT system that CLL has recently implemented will enable more easy and accurate reporting on this.</p> <p>3. <i>Number of users per 1,000 population.</i> This will be introduced in 2013/14 from usage data already collected.</p> <p>4. <i>Improve Customer Satisfaction re Catering/Bars Operation by 3% year on year</i> See no.1. This will be picked up as part of the other customer satisfaction work</p> <p>Since contract monitoring commenced in 2011, the penalty points system has been considered but not formally used. To date negotiation on performance improvement based on structured and evidenced discussion has been sufficient to secure performance improvement. For example poor standards have been challenged at St James Park. (Inspections by Council</p>	Policy and Communications Manager.	May 2013.
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APPENDIX A

R8	<p>CLL final accounts are not forwarded to Financial Services and financial information regarding Carlisle City Council CLL sites is not regularly provided.</p>	<p><u>Financial Accountability.</u></p> <p>a) SMT and Financial Services should be provided with a set of CLL audited accounts on a regular basis in accordance with Section 18 cl.18.6 of the agreement.</p> <p>b) Financial data should be sought from CLL to ensure that Carlisle City has sufficient information so that the financial performance of the contract can be meaningfully measured in accordance with Section 16, clis' 16.6 and 16.9 of the agreement.</p> <p>c) A representative from Financial Services should also be present at future quarterly contract monitoring meetings so that they can establish the exact level of income and expenditure on the Councils leisure</p>	B	<p>and an improvement action plan agreed/monitored) Work is on-going regarding the future service provision at St James Park.</p> <p>The current CLL performance framework will be reviewed. The contractual penalty point system will be reconsidered for implementation.</p> <p>See R6 regarding the PIs.</p>	<p>Director of Community Engagement.</p> <p>Director of Resources</p> <p>Chief Accountant</p> <p>Chief Accountant</p>	May 2013.
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APPENDIX A

R9	<p>The current contract does not specify how contract monies should be spent. This is a major weakness in terms of enabling robust contract monitoring and arrangements assessing the delivery of value for money through the contract.</p>	<p>amenities. The designated lead contract monitoring and finance officers should robustly assess financial performance information to determine whether value for money achievements are derived from the existing service delivery arrangements.</p>	A	<p>A 'lessons learnt' report will be written before the retendering process takes place.</p> <p>This can commence immediately.</p>	Director of Community Engagement.	June 2013.
R10	<p>Contract governance arrangements need to be improved.</p>	<p>Any future contract detail should contain clear, up-to-date guidelines and specific use of the contract monies paid by Carlisle City Council.</p> <p>Due to the size and complexity of the CLL contract, and the circumstances surrounding the contract renewal, a stronger reporting mechanism should be provided so that Senior Managers and Members are furnished with regular financial and operational updates to support future service decisions.</p> <p>This will support more effective governance arrangements for the leisure contract, extending to the wider appreciation of risks, performance management and the internal controls associated with existing and future service delivery arrangements.</p>	A	<p>Contract governance will be flagged as an organisational issue and mitigating factors will be applied to the CLL contract.</p>	SMT/Director of Community Engagement.	Aug 2013.

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AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
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FINAL REPORT

Audit of Recycling

2012-13

Draft Report Issued: 19th December 2012

Revised Draft Issued: 12th February 2013

Final Report Issued: 27th March 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Recycling was identified for review as part of the agreed Audit Plan for 2012/13.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The audit report has been distributed to the following officers.

Recipient	Action Required
Director Local Environment Interim Waste Services Manager, Waste Services Operations Manager	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.
Director of Resources Director of Governance Financial Services Manager Development & Support Manager	Report to be noted.

- 2.2. Other recipients of the final report:

Chief Executive Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting on 15th April 2013

3. BACKGROUND INFORMATION

- 3.1. The last audit review was undertaken in 2005 with the associated final report being issued 16 December 2005. At that time, Waste Services was still in the process of being established as a new unit within what was Commercial and Technical Services. The schemes and initiatives have changed since that time, both in terms of contracts in place, materials collected and the availability of recycling collections to the public. The Recycling service is now based within the Local Environment Directorate.
- 3.2. The Household Waste Recycling Act 2003 requires all English waste collection authorities to collect at least two types of recyclable waste from households in their area. Compliance with the Act became effective from 31 December 2010.
- 3.3. The City Council is a member of the Cumbria Strategic Waste Partnership (CSWP), which is comprised of the County Council and other Districts in Cumbria and aims to deliver projects that minimise waste, increase recycling, composting and diversion from landfill. The CSWP was set up as a response to the 2003 Landfill Allowance Trading Scheme (LATS) being introduced as the Government's mechanism for meeting its obligations under the European Union Landfill Directive 1999. LATS placed waste diversion targets on Waste Disposal Authorities for which non-achievement would lead to financial penalties.
- 3.4. As the regional Waste Disposal Authority, the County Council provides a financial incentive for the District Councils in the CSWP to maximise recycling under the County Council's Inter-Authority Agreement Recycling Reward Scheme. The County and each District Council agree an annual target percentage for the District Council to achieve in return for a pre-set amount of money – in the City Council's case, for 2011-12, the equation was 46% recycled = £1,206,400.

Section 1 – Management Summary

However, the actual amount payable could be more or less than the target, as it is formula based and dependant on the actual percentage achieved.

- 3.5. LATS obligations end in 2012-13 as a result of a Government review, however the comprehensive Spending Review 2010 placed significantly greater pressures on local authority budgets. This is resulting in local authorities across the country having to redesign services to meet the constraints. In response to the budgetary pressures in all local authorities, the CSWP is striving to develop and implement new ways of working together so as to deliver more cost effective waste management services.

In order to achieve this aim the CSWP Board set up the Enhanced Partnership Working Project and appointed Kinetic Consultancy Solutions to work with them to test a range of projects that have the potential to deliver financial benefits through closer working.

- 3.6. The Council has measures in place to facilitate the recycling and/or re-use of a wide range of items, e.g. electrical items, furniture, books, clothing, etc, either on its own or in conjunction with other organisations, i.e. members of the CSWP, charities, community groups, supermarkets, etc, but this audit review is focussed on the City Council's policy, systems and processes for recycling:

- Cardboard
- Glass
- Plastics
- Cans
- Garden Waste

4. SCOPE

- 4.1. Audit testing and verification has been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Area Examined
1.	Recycling Schemes
2.	Contract Documentation
3.	Monitoring

- 4.2. The scope and testing undertaken as part of this review reflects identified risks specific to Recycling which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.3. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to Directorate's Operational Risk Registers should be made. If risks are of a strategic nature, these will be review by the Corporate Risk Management Group.

5. RECOMMENDATIONS

- 5.1. There are 10 recommendations arising from this review:

- 1 Grade A
- 9 Grade Bs

Section 1 – Management Summary

6. STATEMENT OF ASSURANCE

- 6.1. From the areas examined and tested as part of this audit review, we consider the current controls operating within Waste Services relating to recycling provide **Restricted Assurance**.

7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 7.1. A number of significant issues have been raised with the delivery and contract monitoring arrangements of some of the recycling contracts and these are shown in Appendix A – Summary of Audit Recommendations and Action Plan.
- 7.2. Serious concerns are raised in regards to the Green Box contract (paper, glass, etc) which have led to restricted assurance. The key concerns on this contract can be summarised as:
- (i) There are unsatisfactory procedures followed by the Contractor for weigh-bridge operations and recording of data which has concerns over the accuracy of data provided and the impact this may have on the Council's subsequent claims under the County Council's Recycling Rewards Scheme. The financial consequences of these weigh-bridge operations and data recording arrangements, which have been in place since the start of the contract in June 2010, need to be fully examined by Waste Services Management and Legal Services.
 - (ii) Key information needed for in-house contract monitoring purposes is not always received in full from external parties and full reliance cannot always be placed on the information received.
 - (iii) Raised awareness of staff is needed to allow them to fully appreciate the terms and conditions of the contracts in place and the operations which take place for which they receive and process information for on a daily basis. In house contract management arrangements are considered not sufficient for the size of the contracts in place. There is a lack of available resource in Waste Services to undertake robust contract monitoring arrangements on all the contracts, which has led to some of the more complex contractual issues not being considered and challenged.
- 7.3. There are other general concerns around recycling contracts regarding:
- (iv) Service providers operating on either "informal" or unsigned "formal" contracts – examples being green bins contract for which no current contract is in place and the unsigned bring site contract. The lack of formal contracts signed by both parties on service delivery contracts of this type leads to uncertainties in contractual obligations and liabilities;
 - (v) Data received from drivers and contractors is sometimes incomplete. The good practice measures aid in house monitoring and reconciliation arrangements and incomplete information may impact on the ability to fully verify third party data and subsequent contract invoicing arrangements.

APPENDIX A

LOCAL ENVIRONMENT DIRECTORATE AUDIT OF RECYCLING 2012-13

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R1	Over claimed amount by a contractor needs to be recovered.	Waste Services need to resolve the matter of the £796 variance and if applicable recover this amount from the contractor (green waste).	B	Waste Services Management was aware of this issue and action will be taken to attempt to recover this amount from the contractor	Waste Services Operations Manager	30 th Nov 2013
R2	Verification of materials and tonnage cannot be assured.	Drivers of Council recycling vehicles should complete all necessary paperwork to confirm the journey/s conducted and the tonnage of material deposited at disposal sites.	B	Procedures will be reiterated to the drivers that they do need to sign the WB ticket and complete all worksheets in full	Waste Services Operations Manager	31 st March 2013
R3	Tonnage figures supplied for materials collected/deposited cannot be assured.	Incomplete weighbridge tickets should be rejected and should be returned to the company from they have been supplied for full completion where necessary.	B	This happens very infrequently but we (Waste Management) will ensure that the operational support aware of this comment and addresses it where necessary	Waste Services Operations Manager	31 st March 2013
R4	The Contractor appears to be in breach of contract on several counts, i.e. <ul style="list-style-type: none"> • Using a weighbridge and weighting process that is not fit for purpose. • Supplying weightings that have been recorded manually. 	On receipt of the actual tonnage of materials FOCSA has sent for processing, a retrospective analysis should be conducted by Waste Services to update the data previously submitted by FOCSA and assess whether a retrospective recycling claim can be justified.	B	This will be attempted but may be difficult to achieve retrospectively as the County Council have altered the payment system for recycling from % based to tonnage based	Waste Services Operations Manager	Nov 30 th 2013

APPENDIX A

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R5	<ul style="list-style-type: none"> Failure to supply the tonnages of material they have sent for processing. Failure to supply the tonnages of material the contractor has sent for processing. 	<p>Waste Services should obtain from the Contractor, as per clause 1.7.2.6 of the Contract, the tonnages of materials the Contractor has sent for processing since the commencement of the contract.</p> <p>This should be routinely received from Contractor and it should be incorporated into monthly contract monitoring and reporting arrangements.</p> <p>The Contract should be reviewed by Management and Legal Services.</p> <p>Conditions should also be verified with the contractor to enforce the basic elements required i.e. to provide information as per the contract requirements and provide assurance that weightings for recycled materials are to an acceptable level of accuracy.</p>	B	<p>Contractor is to provide this information - see response below for R6</p> <p>An initial meeting was already taken place with the contractor in January 2013 and a further meeting is scheduled in February 2013. This is to ascertain the arrangements in place to weigh the recycle for the City Council contract. It has been agreed that the contractor will:</p> <ul style="list-style-type: none"> Cease supplying hand written tickets Supply the tonnage sent for reprocessing <p>Track the average weighing so that we can be assured that the plus/minus 20kg level themselves out over the month</p>	Waste Services Operations Manager	30 th April 2013
R6	<p>The Contractor appears to be in breach of contract in regards to:</p> <ul style="list-style-type: none"> Weighting procedures and using a weighbridge which may not be fit for purpose. Supplying weightings that have been recorded manually. 					

APPENDIX A

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
R7	Issues raised within the Green Bin contract delivery arrangements may be present in other recycling contracts.	Waste Services need to verify that the processes in operation and weighbridge calibrations at other sites used for the Council's recycled materials are acceptable and as accurate as possible.		<p>Weighbridges (CWR, Fossa and Hilltop Organics) are calibrated each year and also if there is a fault before the yearly calibration. These are supplied to CCC and in turn the County Council's Monitoring team</p> <p>Arrangements still need to be made to ascertain weighing procedures at these sites.</p>	Waste Services Operations Manager	
R8	Lack of dedicated contract monitoring resource for key recycling contracts.	Enhanced contract monitoring resources should be in place for externally delivered recycling services.	A	The Management structure for Waste Services is under review. The issues raised will be taken into consideration and used to formulate the new structure.	Director for Local Env.	30 th Nov
R9	Prices of recycling materials sold by the contractor are not being effectively monitored in-house.	The prices of materials notified by Cumbria Waste Management should be fully challenged and formally notified to management.	B	This depends on the provision of enhanced resources raised under recommendation 8. Until this matter is resolved costs will be monitored against the 'lets recycle' website.	Waste Services Operations Manager	30 th Nov 2013
R10	Contracts are no in place for all recycling services delivered externally.	Advice should be sought from Legal Services and Procurement on the provision of: <ul style="list-style-type: none"> A revised contract / interim agreement with Cumbria Waste Management over the collection and deposit of plastic and card materials. 	B	Options are being considered by Waste Services management. A number of the districts are trying to organise a tender for the pooling of recyclates as agreed in the EWP	Interim Waste Services Manager & Waste Services Operations	30 th Sept 2013

APPENDIX A

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER	DATE ACTIONED BY
		<ul style="list-style-type: none"> • An interim agreement with Hilltop Organics over the Council depositing garden waste until a tender process in line with the Council's Contract procedure Rules has been conducted. 		(Enhanced working partnership). This would be addressed by a framework agreement arranged by the County Council (The Green Waste Framework).	Manager	

**CARLISLE
CITY-COUNCIL**



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AUDIT SERVICES

*A Shared Service between Cumbria County Council, Carlisle City Council and
Copeland Borough Council*

FINAL REPORT

Audit of Bring Sites

Draft Report Issued: 19th December 2012

Final Report Issued: 27th March 2013

Section 1 – Management Summary

1. REASON FOR THE AUDIT

- 1.1. The audit of Bring Sites was requested by the Director of Local Environment as an additional review to follow on from the audit of Recycling. An amendment to the Audit Plan was agreed with the Director of Resources to accommodate this review.

2. AUDIT CONTACT & REPORT DISTRIBUTION

- 2.1. The audit report has been distributed to the following officers.

Recipient	Action Required
Director Local Environment Director of Resources Financial Services Manager Chief Accountant Development & Support Manager	Report to be noted.
Interim Waste Services Manager, Waste Services Operations Manager	Action required. Please refer to Appendix A - Summary of Recommendations / Action Plan.

- 2.2. Other recipients of the final report:

Chief Executive Deputy Chief Executive	Report to be noted.
Audit Committee	To consider the Summary of Recommendations / Action Plan (Appendix A) at its next meeting 15 th April 2013

3. BACKGROUND INFORMATION

- 3.1. Bring Sites are public recycling centres located around the Carlisle District and a contract is in place with Cumbria Waste Management (CWM) to collect the materials and deposit them at their own site.
- 3.2. The last time an audit review of Bring Sites was undertaken was in 2005. At that time, the Council was in the process of establishing the Waste Services Section. Schemes and initiatives have changed since that time, both in terms of contracts in place, materials collected and the availability of recycling collections to the public.
- 3.3. The Household Waste Recycling Act 2003 requires all English waste collection authorities to collect at least two types of recyclable waste from households in their area. Compliance with the Act became effective from 31 December 2010. The provision of bring sites is not a statutory requirement, but is a facility that adds to the amount of waste recycled by the Council. The amount of recycling undertaken by the Council is crucial as it generates income by way of the Recycling Rewards Scheme operated by the County Council.
- 3.4. The City Council is a member of the Cumbria Strategic Waste Partnership (CSWP) which is comprises of the County Council and other districts in Cumbria. It aims to deliver projects that minimise waste and increases recycling, composting and diversion from landfill. The CSWP was set up as a response to the 2003 Landfill Allowance Trading Scheme (LATS) being introduced as the Governments mechanism for meeting its obligations under the European Union Landfill Directive 1999. LATS placed waste diversion targets on waste disposal authorities for which non-achievement would lead to financial penalties.

Section 1 – Management Summary

- 3.5. As the regional Waste Disposal Authority, the County Council provides a financial incentive for the district councils in the CSWP to maximise recycling under the County Council's Inter-Authority Agreement Recycling Reward Scheme. The County and each district council agree an annual target percentage for each district council to achieve in return for a pre-set amount of money. In the City Council's case, for 2011-12 this was 46% recycled at a value of £1,206,400, however, the actual amount payable could be more or less than the target, as it is formula based and dependant on the actual percentage achieved. The recyclable materials collected at the bring sites have a significant affect on the achievement of this target and the income generated by the scheme.

4. OBJECTIVE AND SCOPE

- 4.1. The key objective of this audit review was to ascertain whether the City Council is receiving value for money on the provision and servicing of Bring Sites.
- 4.2. Audit testing and verification has been carried out to form an opinion over the effectiveness of systems and controls in place relating to the risks identified. Key areas for review and detailed findings are shown in Section 2 of this report - Matters Arising:

Section	Area Examined
1.	Contracts
2.	Benchmarking and Value for Money Considerations
3.	Monitoring

- 4.3. The scope and testing undertaken as part of this review reflects identified risks specific to Bring Sites which have been raised through the Council's corporate risk management arrangements. Where applicable, other emerging risks have also been included in the scope and testing undertaken.
- 4.4. Please note that on conclusion of the audit, any risks highlighted by the audit review should be assessed by the relevant Director and necessary updates to Directorate's Operational Risk Registers should be made. If risks are of a strategic nature, these will be review by the Corporate Risk Management Group.

5. RECOMMENDATIONS

- 5.1. There are 6 recommendations arising from this review:
- 1 Grade A
 - 5 Grade Bs

6. STATEMENT OF ASSURANCE

- 6.1. The assurance level given to an audit area can be influenced by a number of factors: including stability of systems, number of significant recommendations made, impact of not applying audit recommendations, non adherence to procedures, etc.
- 6.2. From the areas examined and tested as part of this audit review, we consider the current controls operating within Waste Services relating to Bring Sites provide **Restricted Assurance**.

Section 1 – Management Summary

7. KEY FINDINGS ARISING FROM THE AUDIT REVIEW

- 7.1. A number of opportunities to further enhance controls have been identified and these are shown in Appendix A – Summary of Audit Recommendations and Action Plan.

Benchmarking and Value for Money Considerations

- 7.2. The current service and contractual arrangement for bring sites does not provide Value for Money:
- Benchmarking results clearly indicate that the service offered by Carlisle City is in need of urgent review. The high cost of service provision does not provide the high returns expected in terms of utilisation and recycling credits achieved, and.
 - There are major concerns with the management and delivery of the existing contract.
- 7.2.1. The benchmarking results showed that whilst Carlisle City's contract is the most expensive, the Council also has the most onerous service requirements in terms of having virtually 3 times the average number of bring sites and 3.5 times the average number of containers than other districts. Despite having such a comprehensive service in place, it was also noted that the Council's total recycled tonnage only the 3rd highest compared to other districts, and the Council has the lowest average tonne per Bring Site and per container at the highest cost per tonne.

Contract Management Arrangements

- 7.2.2. There is evidence that the level of communication with the Contractor has been lacking on occasions and this has resulted in some extra work and cost to the Council due to the need of reactive work to be undertaken by the in-house waste services operatives and street cleaning crews.
- 7.2.3. There are occasions whereby recycling material ends up in landfill rather than being collected and processed for recycling purposes. This defeats the purpose of operating Recycling Bring Sites and could potentially have a negative impact on the achievement of the recycling target and the income generated through the County's Recycling Reward Scheme.
- 7.2.4. There is a lack of engagement, data monitoring and challenge by Waste Services with the Contractor on how the service is provided and performance measures.
- 7.2.5. The method of logging complaints received by the Council regarding the management of these bring sites would be a useful indicator to support the overall performance monitoring regime but the current arrangement to capture such data is not sufficient.

**LOCAL ENVIRONMENT DIRECTORATE
AUDIT OF BRING SITES 2012-13**

SUMMARY OF RECOMMENDATIONS & ACTION PLAN

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER(S)	DATE ACTIONED BY
R1	The Bring Site contract is not signed.	The Contract with Cumbria Waste Management for Bring Sites should be signed by both parties.	B	This matter is to be progressed without delay	Waste Services Operations Manager	30 th April 2013
R2	There is concern that the required annual budget uplift on the base price of the contract may not be sufficient	Waste Services management should liaise with Financial Services to ensure sufficient budget is allocated for 2013/14 onwards, which allows for the inflationary increases expected on the correct base price of the contract.	B	Initial meeting held with Financial Services although this matter still needs to be fully resolved	Interim Waste Services Manager	31 st March 2013
R3	Complaints are not properly logged. Loss of an audit trail as to how the Bring Sites are being managed. This is required so that performance issues can be brought to their attention of the Contractor by way of default notifications (if applicable).	Improvements are needed to log and handle complaints by Waste Services to support wider contract management arrangements. The outcome of complaints should be used to monitor the Contractor's performance and used to quantified default notifications to the Contractor (if applicable).	B	Work to develop Flare regarding the logging and handling of Bring site complaints A new system of contract monitoring is to be implemented	Waste Services Operations Manager & Performance and Improvement Manager (Local Environment)	31 st March 2013

Appendix A

REF	ISSUE RAISED	RECOMMENDATION	GRADE	AGREED ACTION	RESPONSIBLE OFFICER(S)	DATE ACTIONED BY
R4	The containers are not always locked by the contractor. This is a contractual condition which has significant impact on service performance and additional costs are being incurred by the Council.	Waste Services should liaise with the Contractor to ensure that containers are locked. Random checks on sites should be undertaken and quantified defaults to the contractor imposed.	B	This matter will be raised with the Contractor and improvement arrangements to report such matters are to be implemented. This will also be identified through spot checks which are to be implemented. Both measures outlined above will help to reduce the opportunity for contamination.	Waste Services Operations Manager	31 st March 2013
R5	There is concern that recycling material from bring sites may be being mixed with those collected for other organisations and this may be open to challenge.	Waste Services management should ascertain the following details from the Contractor whether recycling from other organisations are mixed with the City Council's collections before being weighed. If this is the case, it then needs to establish how the weights relating to each organisation have been managed and separately recorded and a view taken on the accuracy and completeness of the data received.	B	Whilst initial enquiries have been made by management, further more detailed enquiries into the Contractor's collection and data collection and input arrangements are necessary to address these concerns raised.	Waste Services Operations Manager	31 st May 2013
R6	There is no resource specifically dedicated to providing robust and challenging contract monitoring arrangements.	Specific contract management resource is needed to monitor Contractor's performance and provide an effective challenge.	A	The Management structure for Waste Services is under review. The issues raised will be taken into consideration and used to formulate the new structure.	Director of Local Environment	30 th Nov 2013

**EXCERPT FROM THE MINUTES OF THE
RESOURCES OVERVIEW AND SCRUTINY PANEL
HELD ON 3 JANUARY 2013**

ROSP.09/13 REVIEW OF PARTNERSHIPS 2011/12
(Public and Press excluded by virtue of Paragraph 3)

Councillor Mrs Luckley took part in the consideration of the following item as Chairman of the Community Overview and Scrutiny Panel.

The Development and Support Manager submitted report RD.62/12 which provided information which related specifically to the Council Leisure contract undertaken by Carlisle Leisure Limited (CLL) and the governance arrangements related to the Tullie House Trust contract.

The Development and Support Manager reminded the Panel that a report had been submitted to their meeting on 18 October 2012 which identified the outcomes, progress and performance of the Council's partnership arrangements during 2011/12. As a consequence of the information provided the Director of Resources had been requested to provide specific information on both the CLL contract and the Tullie House Museum arrangement.

The Development and Support Manager outlined the background to partnerships and contractual arrangements and gave the background to both the CLL contract and the Tullie House Trust. He also gave details on the monitoring arrangements, quality control and performance monitoring for both. He highlighted the difficulty in providing financial information which related solely to the contract between the City Council and CLL.

The Development and Support Manager informed the Panel that an internal audit had been carried out with regard to the CLL contract and it would be considered by the Council's Audit Committee in February.

The Panel considered the report in two parts:

Carlisle Leisure Limited

- The contract between the Council and CLL was regulated by the Financial Services Authority (FSA) and the rules set by an Industrial Provident Society; had the lack of information from CLL contravened the rules?

The Director of Resources explained that the FSA carried out their own monitoring of CLL and it would not be part of the City Council's monitoring.

- The Council had contributed approximately £7.65m to CLL over the ten year period of the contract but the information from CLL did not explain how that money had been used.
- The Panel had were concerned about the monitoring of the CLL contract over the ten year period.
- The Report showed differences in profit and loss for Carlisle and Allerdale how different was the contract for Carlisle and Allerdale?

The Development and Support Manager responded that the City Council had asked Allerdale for any information they had to answer this question.

- Was the CLL head office owned by the City Council?

The Development and Support Manager clarified that the Head Office was not owned by the City Council and that CLL had a separate contract with a landlord.

- The Panel felt strongly that representatives of CLL should be invited to a future meeting of the Panel to answer the Panels questions.

The Town Clerk and Chief Executive agreed that it would be beneficial to invite representatives of CLL to a meeting. He commented that the responsibility for open communication fell to both the City Council and CLL.

Two Carlisle City Council representatives on the CLL Board were in attendance at the meeting and agreed that CLL representatives should be invited to the Panel.

Tullie House

- The Panel sought reassurance that the contract with Tullie House would be subjected to the same monitoring and scrutiny that the CLL contract would be in the future.

The Town Clerk and Chief Executive assured the Panel that the Deputy Chief Executive had a good relationship with Tullie House and was working to ensure that the Council received all the required information.

- A Member asked for clarification with regard to the monies that the City Council contributed to Tullie House.

The Director of Resources confirmed that the Council contributed £1.2m and a further £200,000 in Human Resources, Payroll and building maintenance. He added that Tullie House had approximately £500,000 in reserve which was prudent for a Museum of that size. Tullie House and also achieved £730,000 from external sources.

- Were officers satisfied that they were receiving the necessary co-operation from Tullie House.

The Development and Support Manager informed the Panel that information was coming slowly from Tullie House but it was the start of the process and it was hoped it would improve.

- It was important that the Council monitored the contract more effectively as the contribution from the Council was Tullie House's largest income.

The Finance, Governance and Resources Portfolio Holder agreed that the Council gave substantial grants to other organisations and it was important in the current economic climate that those organisations justified the money that they received.

- Was it possible to reduce the grants to Tullie House and CLL?

The Director of Resources responded that the contract with Tullie House allowed for the Council to reduce the grant, the contract with CLL allowed for a reduction in grant through negotiation.

RESOLVED – 1) That the Town Clerk and Chief Executive be asked to write Carlisle Leisure Limited to inform them that the Scrutiny Panel is looking closely at the monitoring arrangements for the contract between the City Council and themselves.

2) That the concerns and comments of the Panel be passed to the Audit Committee for their consideration of the Audit report on the Carlisle Leisure Contract.

3) That representatives of Carlisle Leisure Limited be invited to attend a future meeting of the Panel.

4) That the Tullie House contract is monitored on a regular basis to ensure that the City Council is achieving value for money for the contributions made.

Report to Audit Committee

Agenda
Item:

A.7

Meeting Date: 15th April 2013
 Portfolio: Finance, Governance and Resources
 Key Decision: Not Applicable:
 Within Policy and Budget Framework YES
 Public / Private Public

Title: TREASURY MANAGEMENT OCTOBER – DECEMBER 2012
 Report of: Director of Resources
 Report Number: RD76-12

Purpose / Summary:

This report, which provides the regular quarterly summary of Treasury Management transactions for the third quarter of 2012/13, was received by the Executive on 11 February 2013. The Audit Committee is invited to make any observations on treasury matters which took place during this quarter although it will be noted from the report that this was a relatively quiet period in treasury terms. The Committee is otherwise asked to note the report.

Recommendations:

That the report be received.

Tracking

Executive:	11 February 2013
Overview and Scrutiny:	
Council:	

REPORT TO EXECUTIVE

PORTFOLIO AREA : FINANCE, GOVERNANCE AND RESOURCES

Date of Meeting: 11 February 2013

Public

Key Decision: No

Recorded in Forward Plan:

No

Inside Policy Framework

Title: TREASURY MANAGEMENT OCTOBER – DECEMBER 2012
Report of: Director of Resources
Report reference: RD76/12

Summary:

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

Recommendations:

That this report is received and the Prudential Indicators noted as at 31 December 2012.

Contact Officer: Steven Tickner

Ext: 7280

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: The Prudential Code on Local Authority borrowing including related guidance notes; Financial Services working papers.

CITY OF CARLISLE

To: The Executive
11 February 2013

RD76/12

TREASURY TRANSACTIONS 2012/13

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 1 April 2011 – 31 December 2012

- **Appendix A1** – Treasury Transactions April to December 2012
- **Appendix A2** – Investment Transactions April to December 2012
- **Appendix A3** – Outstanding Investments at 31 December 2012 and

(ii) **Appendix B** discusses the Prudential Code and Prudential Indicators for 2011/12:

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

2. CONSULTATION

2.1 Consultation to Date.
None.

2.2 Consultation proposed.
The Audit Committee will consider this report at their next meeting in April.

3. RECOMMENDATIONS

That this report be received and the Prudential Indicators noted as at 31 December 2012.

4. REASONS FOR RECOMMENDATIONS

4.1 As per the report.

5. IMPLICATIONS

- Staffing/Resources – Not applicable.
- Financial – Included within the report.
- Legal – Not applicable.
- Corporate – Not applicable.
- Risk Management – Risk management lies at the heart of effective treasury management.
- Equality Issues – Not applicable.
- Environmental – Not applicable.
- Crime and Disorder – Not applicable.

6. IMPACT ASSESSMENTS

Does the change have an impact on the following?

Equality Impact Screening	Impact Yes/No?	Is the impact positive or negative?
Does the policy/service impact on the following?		
Age	No	N/A
Disability	No	N/A
Race	No	N/A
Gender/ Transgender	No	N/A
Sexual Orientation	No	N/A
Religion or belief	No	N/A
Human Rights	No	N/A
Social exclusion	No	N/A
Health inequalities	No	N/A
Rurality	No	N/A

If you consider there is either no impact or no negative impact, please give reasons:

This report summarises Treasury Transactions for Quarter 3 2012/13

If an equality Impact is necessary, please contact the P&P team.

PETER MASON
Director of Resources

Contact Officer: Steven Tickner

Ext 7280

TREASURY TRANSACTIONS
1 APRIL 2012 to 31 DECEMBER 2012

1. LOANS (DEBT)1.1 Transactions 1 April to 31 December 2012

	Raised		Repaid	
	£	%	£	%
P.W.L.B	0		0	0
Local Bonds	0		0	0
Short Term Loans	0		0	0.00
Overnight Borrowing	0		0	0.00
	0		0	

This provides a summary of any loans that have been raised or repaid, analysed by type, since the previous report. New procedures have been put in place to map the cash flow more accurately to enable better forecasting and to limit the amount of short term/overnight borrowing which may be required.

1.2 Loans (Debt) Outstanding at 31 December 2012

	£
City of Carlisle Stock Issue	15,000,000
Short Term Loans	13,300
	15,013,300

1.4 Loans Due for Repayment (Short Term)

	PWLB £	Overnight £	Total £
Short Term Debt at 31 December 2012	0	0	13,300
			13,300

The short terms loans shown above relate to amounts held by the City Council that have been invested with it from Mary Hannah Almshouses Charity and Carlisle Educational Charity.

1.5 Interest Rates

Sector is not forecasting an interest rate rise until Quarter 1 of 2015.

2 INVESTMENTS

	Made		Repaid	
	£	%	£	%
Short Term Investments	29,748,000	0.43-1.75	29,922,000	0.43-2.22
	29,748,000		29,922,000	

A full schedule of investment transactions is set out in Appendix A2. Appendix A3 shows outstanding investments at 31 December 2012.

3 REVENUES COLLECTED

To: 31 December 2012		Collected £	% of Amount Collectable %
2012/13	Council Tax NNDR	40,986,514 35,343,358	86.03 86.36
Total		76,329,872	86.18
2011/12	Council Tax NNDR	40,712,911 33,408,985	86.05 87.18
Total		74,121,896	86.55
2010/11	Council Tax NNDR	40,755,631 31,779,907	86.20 88.47
Total		72,535,538	87.17

Collection levels have been fairly stable in each of the past three years.

4 BANK BALANCE

At 31 December 2012, £1,535,482.91 in hand.

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

5 PERFORMANCE ON TREASURY MANAGEMENT TRANSACTIONS
TO 31 DECEMBER 2012
 April – 31 December 2012

	Estimate £000	Actual £000	Variance £000
Interest Receivable	(323)	(297)	26
Interest Payable	850	849	(1)
Less Rechargeable	(7)	(7)	0
	843	842	(1)
Principal Repaid	275	304	29
Debt Management	11	14	3
NET BALANCE	806	863	57

The estimate column is the profiled budget to 31 December 2012.

Most budget heads are performing very much in line with the original estimate. There will, however, be an over spend on the principal repaid figure (the minimum revenue provision - MRP) due to the capital programme in 2011/12 utilising more capital receipts than expected. This was due to expected receipts from the asset review not being generated and disposals slipping into 2012/13. This meant that the Capital Financing Requirement increased by more than expected and therefore the MRP required has increased.

Interest receivable is below budget levels due to anticipated capital receipts not being received and therefore not being able to be invested. Also, investment returns have started to fall in the last quarter which will have an ongoing impact on the amount of interest that can be generated. The current average return received is 1.61%, which when compared to the current bank rate of 0.50%, represents a significantly improved return whilst maintaining a prudent risk approach to the investments placed.

APPENDIX A2

INVESTMENT TRANSACTIONS 1 OCTOBER TO 31 DECEMBER 2012

Made		Repaid	
Prime Rate, Money Market	3,450,000.00	Prime Rate, Money Market	945,000.00
Ignis , Money Market	1,742,000.00	Cumberland B.Soc	1,000,000.00
Cumberland B.Soc	1,000,000.00	Prime Rate, Money Market	210,000.00
Royal Bank of Scotland	1,000,000.00	Royal Bank of Scotland	1,000,000.00
Cumberland B.Soc	1,000,000.00	Prime Rate, Money Market	80,000.00
Prime Rate, Money Market	585,000.00	Coventry B Soc	1,345,000.00
Prime Rate, Money Market	1,200,000.00	Prime Rate, Money Market	1,900,000.00
Coventry B Soc	1,345,000.00	Royal Bank of Scotland	2,000,000.00
Royal Bank of Scotland	2,000,000.00	Prime Rate, Money Market	2,100,000.00
Prime Rate, Money Market	2,173,000.00	Ignis , Money Market	1,265,000.00
Ignis , Money Market	1,579,000.00	Ignis , Money Market	314,000.00
Prime Rate, Money Market	560,000.00	Prime Rate, Money Market	107,000.00
Prime Rate, Money Market	485,000.00	Prime Rate, Money Market	17,000.00
Prime Rate, Money Market	889,000.00	Prime Rate, Money Market	575,000.00
Royal Bank of Scotland	1,000,000.00	Prime Rate, Money Market	1,700,000.00
Prime Rate, Money Market	4,000,000.00	Prime Rate, Money Market	125,000.00
Royal Bank of Scotland	1,000,000.00	Prime Rate, Money Market	1,583,000.00
Royal Bank of Scotland	1,000,000.00	Ignis , Money Market	2,040,000.00
Ignis , Money Market	3,740,000.00	Royal Bank of Scotland	1,000,000.00
		Prime Rate, Money Market	425,000.00
		Royal Bank of Scotland	1,000,000.00
		Royal Bank of Scotland	1,000,000.00
		Ignis , Money Market	1,000,000.00
		Ignis , Money Market	700,000.00
		Prime Rate, Money Market	1,291,000.00
		Prime Rate, Money Market	300,000.00
		Prime Rate, Money Market	1,500,000.00
		Ignis , Money Market	3,400,000.00
TOTAL	29,748,000		29,922,000
		Bfwd	23,258,000
		Paid	29,748,000
		Repaid	29,922,000
		Total	23,084,000

Outstanding Investments as at 31 December 2012

Category	Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Current Days to Maturity	Days to maturity at execution	Total Interest Expected (£)
Y	Ignis MMF	600,000	0.43%		Call			0
Y	Prime Rate MMF	484,000	0.41%		Call			0
G	Barclays Bank	4,000,000	0.65%		Call			0
N/C	Cumberland BS	1,000,000	0.75%	02/10/2012	02/01/2013	2	92	1,890
B	Royal Bank of Scotland	1,000,000	1.10%	02/07/2012	03/01/2013	3	185	5,575
N/C	Cumberland BS	1,000,000	0.75%	05/10/2012	03/01/2013	3	90	1,849
B	Bank of Scotland	1,000,000	2.50%	05/01/2012	04/01/2013	4	365	25,000
B	Bank of Scotland	1,000,000	3.10%	13/01/2012	13/02/2013	44	397	33,718
B	Bank of Scotland	2,000,000	3.10%	01/03/2012	13/02/2013	44	349	59,282
B	Royal Bank of Scotland	1,000,000	1.43%	15/05/2012	15/02/2013	46	276	10,813
B	Bank of Scotland	1,000,000	2.00%	25/05/2012	27/02/2013	58	278	15,233
B	Royal Bank of Scotland	1,000,000	1.51%	01/06/2012	07/03/2013	66	279	11,542
B	Royal Bank of Scotland	2,000,000	0.95%		Call	90	90	4,685
B	Royal Bank of Scotland	2,000,000	1.20%		Call	95	95	6,247
B	Bank of Scotland	1,000,000	3.00%	02/04/2012	11/04/2013	101	374	30,740
B	Bank of Scotland	1,000,000	2.85%	31/05/2012	30/05/2013	150	364	28,422
B	Bank of Scotland	1,000,000	2.85%	02/08/2012	02/08/2013	214	365	28,500
B	Bank of Scotland	1,000,000	1.75%	05/10/2012	04/10/2013	277	364	17,452
Total Investments		£23,084,000	1.61%			80	264	£280,948

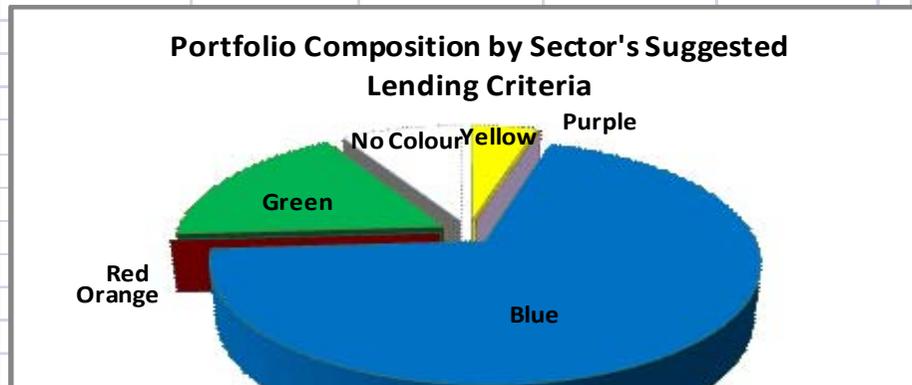
N.B Interest is recognised in the appropriate financial year in which it is due.

The category colour represents the duration of investment recommended by Sector, 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.

Investments Summary Sheet

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	Weighted Average Rate of Return	Weighted Average Days to Maturity	Weighted Ave Days to Maturity from Execution	Weighted Average Risk				
						WARoR	WAM	WAM at Execution	Risk Score for Colour (1 = Low, 7 = High)	Dec 2012	Sep 2012	June 2012	Mar 2011
Yellow	4.70%	1,084,000	100.00%	1,084,000	4.70%	0.42%	0	0	1	0.0	0.0	0.1	0.0
Purple	0.00%	-	0.00%	-	0.00%	0.00%	0	0	2	0.0	0.0	0.0	0.0
Blue	69.31%	16,000,000	25.00%	4,000,000	17.33%	2.10%	89	270	3	2.1	2.1	2.3	1.9
Orange	0.00%	-	0.00%	-	0.00%	0.00%	0	0	4	0.0	0.0	0.0	0.0
Red	0.00%	-	0.00%	-	0.00%	0.00%	0	0	5	0.0	0.0	0.0	0.0
Green	17.33%	4,000,000	100.00%	4,000,000	17.33%	0.65%	0	0	6	1.0	1.0	0.6	0.7
No Colour	8.66%	2,000,000	0.00%	-	0.00%	0.75%	3	91	7	0.6	0.6	0.3	1.7
	100.00%	23,084,000	39.35%	9,084,000	39.35%	1.61%	62	195		3.8	3.8	3.3	4.3

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



Normal' Risk Score	Dec 2012	Sep 2012	June 2012	Mar 2011
	3.5	3.5	3.5	3.5

THE PRUDENTIAL CODE AND PRUDENTIAL BORROWING

1. Introduction

- 1.1 The Local Government Act 2003 brought about a new borrowing system for local authorities known as the Prudential Code (the Code). This gives to Councils much greater freedom and flexibility to borrow without government consent so long as they can afford to repay the amount borrowed.
- 1.2 The aim of the Code is to support local authorities when making capital investment decisions. These decisions should also be in line with the objectives and priorities as set out in the Council's Corporate Plan.
- 1.3 The key objectives of the Code are to ensure, within a clear framework, that the capital investment plans of the Council are affordable, prudent and sustainable, or if appropriate, to demonstrate that they may not be. A further key objective is to ensure that treasury management decisions are taken in accordance with good professional practice and in a manner that supports prudence, affordability and sustainability. These objectives are consistent with and support local strategic planning, local asset management planning and proper option appraisal. They also encourage sound treasury management decisions.

2. Prudential Indicators

- 2.1 To demonstrate that the Council has fulfilled these objectives, the Code sets out indicators that must be used. It is for the council to set any indicative limits or ratios. It is also important to note that these indicators are not designed to be comparative performance figures indicators but to support and record the Council's decision making process.
- 2.2 Appendix B2 sets out the latest performance indicators for the current year.

3. Supported and Unsupported (or Prudential) Borrowing

- 3.1 Local authorities have always funded a substantial element of their capital programme via borrowing. This continues to be the case but until the introduction of the Code any local authority borrowing was essentially based upon a government 'permission to borrow'. Differing types of government control operated over the years but since 1990 these had been termed credit approvals. The level of an authority's previous years' credit approvals is also included in the revenue support grant (RSG) allocation so that ultimately any borrowing is 'supported' via RSG.

- 3.2 This element of supported borrowing is still part of the RSG system although the City Council has previously resolved that its capital borrowing would be limited to its level of supported borrowing. In 2012/13 this is estimated to be Nil.
- 3.3 However, there may be circumstances in which the City Council will wish to undertake some prudential borrowing and the issues surrounding unsupported and supported borrowing are discussed below.
- 3.4 Authorities are permitted to borrow in excess of their supported borrowing allocation. This is referred to as prudential or unsupported borrowing. This can be undertaken so long as the Council can demonstrate that the revenue consequences of such borrowing (i.e. the cost of the debt) are sustainable, affordable and prudent in the medium to long term.

PRUDENTIAL INDICATORS

Central to the operation of the Prudential code is the compilation and monitoring of prudential indicators covering affordability, prudence, capital expenditure, and treasury management. Set out below are the indicators for 2012/13 to date as detailed in the Treasury Management Strategy Statement for 2012/13.

(a) Affordability

	2012/13 Original £	2012/13 Revised £
(i) Capital Expenditure	10,940,000	8,089,600
(ii) Financing Costs Total Financing Costs	1,163,000	1,207,565
(iii) Net Revenue Stream Funding from Govt Grants/Local Taxpayers	13,535,000	13,535,000
(iv) Ratio of Financing Costs to Net Revenue Stream 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.	8.59%	8.92%
(v) Incremental Impact on Council Tax This indicator allows the effect of the totality of the Council's capital investment decisions to be considered at budget setting time.	N/A	9.00
(vi) Authorised Borrowing Limit Maximum Level of Borrowing and Other Long term Liabilities	37,600,000 15,013,300	37,600,000
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.		

	2012/13 Original £	2012/13 Revised £
<p>(vii) Operational Borrowing Limit 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.</p>	32,600,000 15,013,300	32,600,000
<p>(viii) Capital Financing Requirement (CFR) As at 31 March The CFR is a measure of the underlying borrowing requirement of the authority for capital purposes.</p>	(2,992,000)	n/a

(b) Prudence and Sustainability

	2012/13 Revised £
<p>(i) New Borrowing to Date No Long Term Borrowing has been taken in 2012/13 to date</p>	0
<p>(ii) Percentage of Fixed Rate Long Term Borrowing at 31 December 2012</p>	100%
<p>(iii) Percentage of Variable Rate Long Term Borrowing at 31 December 2012 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.</p>	0%
<p>(iv) Minimum Level of Investments Classified as Specified Level of Specified Investments as at 31 December 2012</p> <p>As part of the Investment Strategy for 2012/13 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.</p>	50.00% 91.00%

**EXCERPT FROM THE MINUTES OF THE
EXECUTIVE
HELD ON 11 FEBRUARY 2013**

EX.19/13 TREASURY MANAGEMENT OCTOBER – DECEMBER 2012
(Non Key Decision)

Portfolio Finance, Governance and Resources

Relevant Overview and Scrutiny Panel Resources

Subject Matter

The Finance, Governance and Resources Portfolio Holder submitted report RD.76/12 providing the regular quarterly report on Treasury Transactions, including the requirements of the Prudential Code.

He drew Members' attention to Appendix 1 to the report, commenting that most budget heads were performing very much in line with the original estimate. There would, however, be an overspend on the principle repaid figure (the minimum revenue provision) due to the capital programme in 2011/12 utilising more capital receipts than expected. The position would be monitored by Officers on a regular basis.

In conclusion, the Finance, Governance and Resources Portfolio Holder moved the recommendation which was duly seconded by the Leader.

Summary of options rejected None

DECISION

That Report RD.76/12 be received and the Prudential Indicators noted as at 31 December 2012.

Reasons for Decision

To advise Members of the Council's Treasury Transactions

