

AUDIT COMMITTEE

THURSDAY 12 JULY 2012 AT 10.00 AM

PRESENT: Councillors Bowditch, Mrs Bowman, Craig (as substitute for Councillor Mrs Mallinson), Ms Franklin, Nedved (until 12.20 pm), Ms Patrick and Miss Sherriff

ALSO

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

AUC.33/12 APPOINTMENT OF CHAIRMAN

The Director of Governance welcomed all those present to the first meeting of the Audit Committee in the current municipal year. He indicated that the first item of business was to appoint a Chairman for the Committee for the 2012/13 Municipal Year and sought nominations in respect thereof.

It was moved and seconded that Councillor Ms Patrick be appointed Chairman of the Audit Committee for the Municipal Year 2012/13.

RESOLVED – That Councillor Ms Patrick be appointed Chairman of the Audit Committee for the Municipal Year 2012/13.

Councillor Ms Patrick thereupon took the Chair.

AUC.34/12 APPOINTMENT OF VICE-CHAIRMAN

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

It was moved and seconded that Councillor Bowditch be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2012/13.

RESOLVED – That Councillor Bowditch be appointed Vice-Chairman of the Audit Committee for the Municipal Year 2012/13.

AUC.35/12 CHAIRMAN'S COMMENTS

The Chairman extended a warm welcome to the new Members of the Committee. She also paid tribute to the very effective chairmanship undertaken in the past by Councillor Mrs Mallinson, former Chairman of the Committee.

AUC.36/12 APOLOGY FOR ABSENCE

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

AUC.37/12 DECLARATIONS OF INTEREST

The Director of Governance invited Members to declare any disclosable pecuniary interests, other registrable interests, and any interests, relating to any item on the agenda at this stage.

Councillor Craig declared an interest in accordance with the Council's Code of Conduct in respect of Agenda item A.6 – Development Control Committee Reporting because he is a Member of the Development Control Committee.

Councillors Nedved and Miss Sherriff declared an interest in accordance with the Council's Code of Conduct in respect of Agenda item A.6 – Development Control Committee Reporting. The interest related to the fact that the Councillors are substitute Members on the Development Control Committee.

AUC.38/12 MINUTES

The Minutes of the meeting of the Audit Committee held on 16 April 2012 were submitted.

Referring to Minute AUC.32/12 – Corporate Risk Management, the Chairman questioned the current position with regard to Member training.

The Financial Services Manager replied that the intention was that a ½ day training event would take place in September 2012.

RESOLVED – That the Minutes of the meeting of the Audit Committee held on 16 April 2012 be agreed as a correct record and signed by the Chairman.

AUC.39/12 MINUTES OF RESOURCES OVERVIEW AND SCRUTINY PANEL

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

Referring to Minute ROSP.28/12, the Chairman noted that a presentation on the Revenues and Benefits Reforms would be provided to all Members at an informal Council Briefing. She asked whether a date had been set for that presentation.

The Financial Services Manager undertook to investigate the position.

RESOLVED – That the Minutes of the meetings of the Resources Overview and Scrutiny Panel held on 29 March and 14 June 2012 be noted and received.

AUC.40/12 FUTURE OF THE AUDIT COMMISSION

Subsequent to her verbal update at the last meeting of the Committee, the District Auditor reminded Members that Grant Thornton had been awarded the contract (for a five year period) for the North West area.

The consultation period, which provided an opportunity to identify any independence issues, would run up until 26 July 2012. Thereafter Grant Thornton would be in a position to communicate with the Council.

The District Auditor said that staff would be TUPE transferred over from 1 November 2012. It was envisaged that Audit Teams would be unchanged unless a request was received from the Council.

The District Auditor added that Grant Thornton would be able to set up meetings with the Director of Resources and Financial Services Manager following 26 July 2012.

In response to a Member's question, the District Auditor advised that the Audit Commission's role would continue (through some department) in terms of the National Fraud Initiative.

RESOLVED – That the Audit Committee welcomed the verbal update provided by the District Auditor; were pleased to note that the District Auditor and Audit Manager would continue to work with the City Council; and looked forward to hearing from Grant Thornton in the future.

AUC.41/12 ANNUAL GOVERNANCE STATEMENT

The Financial Services Manager submitted report RD.22/12 providing the City Council's Annual Governance Statement for 2011/12. She informed Members that the draft Annual Governance Statement had been certified by the Council's S151 Officer, Chief Executive and Leader, in accordance with statutory requirements, by 30 June 2012 and would be formally approved following completion of the audit process at the end of September.

There were no significant areas of weakness in the Council's Governance arrangements which needed to be brought to the attention of Members or included within the 2011/12 Statement.

The Council's Code of Corporate Governance had been reviewed by Officers and there were no changes required to the Code previously approved in 2008.

The Financial Services Manager advised that an updated Action Plan was also attached for Members' information. Reference to the Carlisle Airport Planning Application had now been removed as all of the recommendations had either been implemented or were the subject of separate reports to the Committee. The only remaining item related to Community Empowerment Pilots, and the Wellbeing Manager was in attendance to respond to any questions which Members may have in that regard.

She added that the six monthly follow up report in respect of the Carlisle Airport Planning Application, requested at the previous meeting of the Committee, should be submitted to Members at their September meeting. There were no further issues which needed to be brought to Members' attention. In accordance with established practice, the Action Plan was monitored and the updated status reported to the Committee on a quarterly basis.

There were no new areas of risk arising from the Audit Reviews or from the Risk Registers which required to be drawn to Members' attention.

By way of assistance for those new Members of the Committee, the Chairman explained the background to submission of the Annual Governance Statement Action Plan.

The Wellbeing Manager then outlined in some detail the background to the development of Community Empowerment Pilots. She informed Members that, following consideration of lessons learned from the Harraby Pilot and the Task and Finish Groups from both the City and County Councils, the need for a co-ordinated approach to community empowerment had been identified.

The development of Neighbourhood Plans and partnerships, involving communities and local partners, would be one means of seeking to improve services at a local level; involve the community in a more proactive way; reduce health inequalities; provide positive opportunities for young people and deliver community empowerment.

The Wellbeing Manager stated that she managed a team of five officers and detailed examples of their recent activities (e.g. considerable work in relation to the recent Olympic Torch relay and involvement with Community Centres) which empowered communities on a daily basis.

A Member recognised the very optimistic nature of the Action Plan, but questioned where he could obtain written information on the impact which reductions in staffing / grant funding had upon the team and consequently details of the areas which it was not possible to cover.

The Wellbeing Manager replied that she was not aware of such a report. She had revisited how aspects of their work could be undertaken in a different way. That involved a cultural change and was very difficult to do. Training was, for example, being provided for Community Centres to access funding to assist in their sustainability.

Although the Action Plan was very good, a Member considered it to be very urban centric. Many of the problems identified were mirrored throughout the rural area e.g. Village Halls were run by volunteers and did not have access to funding. In addition, social housing was limited within the rural area as a result of which Riverside had no input. The Member was not aware of any training being provided to assist.

In response, the Wellbeing Manager believed that any training would have been offered via the Organisational Development Manager, but she could check the position.

Members questioned what barriers had prevented the Harraby Pilot moving on to the next level, together with details of the next steps.

The Wellbeing Manager advised that the Harraby Pilot had not failed and was ongoing. Huge sums of money had been invested and a full-time worker was in place. There did not appear to be a statutory stakeholders group. She reiterated that the aim was now to develop neighbourhood plans, but it was a matter for the community to decide what they wanted.

It was proposed that two further consultation events would take place on 27 July 2012 in Botcherby and Currock. The process was at the discussion stage in terms of how Members could become more involved.

A Member recognised the fantastic job currently being undertaken by the Wellbeing Manager and her team. He questioned the implications for the team should all communities wish to develop Neighbourhood Plans, together with the associated cost to the City Council.

In response, the Wellbeing Manager stated that Parish Councils already had Parish Plans. The impact and associated costs would be dependant upon the detail of the plans, but clearly an honest discussion would be required to determine what could be delivered.

RESOLVED – That the Audit Committee:

(1) Noted the content of the 2011/12 Annual Governance Statement, noting that the Statement would accompany the Annual Statement of Accounts; and

(2) Had given consideration to the attached Action Plan and was satisfied with the proposals for development of Community Empowerment Pilots. The matter would not require to be reported back to the Committee.

AUC.42/12 STATEMENT OF ACCOUNTS 2011/12

The Chief Accountant presented in some detail 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. They would now be subject to audit, which must be concluded by the statutory deadline of 30 September 2012. He added that the Accounts reflected the summarised financial outturn information recently considered by the Executive and Resources Overview and Scrutiny Panel.

However, because of the different way in which the Accounts must be produced, it was very difficult to see outturn figures within the Income and Expenditure Account. A reconciliation between the outturn figures and the net operating expenditure on the Income and Expenditure Account had therefore been prepared and was attached for information at Appendix 1.

At the meetings of the Audit Committee on 13 January and 16 April 2012, the Director of Resources had reported that changes would be required to the Accounts for 2011/12. The main change related to the need to bring the Council's Heritage Assets onto the Balance Sheet.

As part of the Council's training programme, a training session had taken place on 9 July 2012 for Members (and substitutes) of the Audit Committee on the role of the Audit Committee and scrutiny of the Statement of Accounts. Key issues and the practical implications for scrutinising the Statement of Accounts were provided.

The Annual Governance Statement which formed part of the Annual Statement of Accounts was presented at Appendix 2. It was a requirement of the 2011 Code that the Annual Governance Statement be considered and approved separately.

The Chief Accountant then outlined the key issues within the Statement of Accounts, details of which were provided.

In response to a Member's questions, the Chief Accountant reiterated that the Accounts were based upon the final outturn position. The City Council's budgetary position 2012/13 would be dependant upon a number of issues, e.g. the revaluation of assets, income from The Lanes. It was difficult to predict what movement would occur at this time.

Referring to the valuation of Heritage Assets (pictures, prints and sculptures - page 59), the Chief Accountant explained that the last valuations had been undertaken between 2007 and 2009. The assets totalled £10.3m and the City Council had insured them for £11.5m. The insurance cover was renewed

annually and, if the insurers were not satisfied, it would not be possible to have the insurance renewal approved.

Officers had liaised with Tullie House who were the experts. They had considered the level of cover and found it to be acceptable.

The Chairman acknowledged the considerable amount of work which had gone into the identification of all heritage assets and ensuring the collation of appropriate valuation information. She questioned whether the Audit Commission was content with historic valuations.

In response, the Audit Manager (Audit Commission) clarified the requirement upon local authorities to recognise their heritage assets within the Accounts, which could be addressed via specific valuations or insurance valuations. Certain authorities had undertaken a complete valuation, some insurance valuations, and others a combination of both.

In terms of the Accounts, the Audit Manager advised Members that the Audit Commission would base their opinion upon what the Council was allowed to do. He added that insurance valuations were acceptable.

RESOLVED – That the Audit Committee:

- (1) Noted the 2011/12 Statement of Accounts, which would now be subject to audit.
- (2) Noted that, although the costs associated with the provision of services had moved from a £6.469 m surplus in 2010/11 to a £8.520 m deficit in 2011/12, there was no cause for concern since the reductions in income were budgeted for and the revaluation of losses were a notional charge to the Comprehensive Income and Expenditure Statement.
- (3) Noted that the Annual Governance Statement would be considered and approved separately from the Statement of Accounts as specified in the Accounts and Audit Regulations 2011.
- (4) Recognised the considerable amount of work which had gone into bringing the Council's Heritage Assets onto the Balance Sheet.

The Chief Accountant submitted the following reports for information:

(a) Provisional General Fund Revenue Outturn 2011/12

Report RD.11/12 summarising the provisional outturn for the General Fund Revenue Budget and providing reasons for variances. The outturn showed that the net underspend for Council services as at 31 March 2012 once committed expenditure totalling £357,500 was taken into account, was

£261,459. A request had been made to transfer £250,000 to the Transformation Reserve which, if approved, would result in a final underspend to the Council in 2011/12 of £11,459.

The Executive and the Resources Overview and Scrutiny Panel had considered the matter on 1 and 14 June respectively and the decisions were set out in Minutes EX.058/12 and ROSP.39/12.

RESOLVED – That Report RD.11/12, and the references from the Executive and Resources Overview and Scrutiny Panel, be noted.

(b) Provisional Capital Outturn 2011/12 and Revised Capital Programme 2012/13

Report RD.10/12 summarising the 2011/12 provisional outturn for the capital budget and providing details of the revised capital programme for 2012/13. The outturn showed that the net underspend for Council services as at 31 March 2012 once committed expenditure totalling £1,553,300 was taken into account was £268,541.

He added that requests for carry forwards for new items of expenditure totalling £139,500 had been made, which would change the underspend to £129,041.

The Executive and the Resources Overview and Scrutiny Panel had considered the matter on 1 and 14 June respectively and the decisions were set out in Minutes EX.059/12 and ROSP.040/12.

RESOLVED – That report RD.10/12, and the references from the Executive and Resources Overview and Scrutiny Panel, be noted.

AUC.43/12 TREASURY MANAGEMENT OUTTURN 2011/12

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.

The Chief Accountant outlined developments in the Money Markets over the previous 12 months and their effect on the Council's investments, together with the various performance statistics included within the report. He corrected an error at paragraph 6.4 of the report.

Members' attention was then drawn to the outstanding investments as at 31 March 2012, as detailed on pages 19 and 20 of the report.

The Executive and the Resources Overview and Scrutiny Panel had considered the matter on 1 and 14 June 2012 respectively and the decisions were set out in Minutes EX.060/12 and ROSP.41/12.

In response to Members' questions, the Chief Accountant advised that:

- investments were placed only with the institutions which fell within the guidelines of the Council's approved Investment Strategy. An exception had, however, been made in order that the Council could invest with the Cumberland Building Society (i.e. a small local Building Society).
- The authority faced very little risk in terms of its investments, which realised good / significant returns.
- Officers gave consideration to the assets of building societies to determine the level of security. They also looked at the portfolio as a whole in order to spread the element of risk.

By way of assistance, the Director of Governance explained that a balance required to be struck between protecting the Council's finances and, as the Council wished to do, lending support to a local business. A view had therefore been taken that it would be prudent to limit investment in the Cumberland Building Society to £2m, rather than say £4m as suggested by the Member. Officers were comfortable with that level of risk.

The Financial Services Manager stressed that Officers complied with the Council's Strategy, and took the advice of the S.151 Officer and the Treasury Advisors (Sector). Consideration would also be given to the counterparties list, with any issues of significance being reported to the Committee and Council.

The Audit Manager (Audit Commission) stated that, in his experience over the past eighteen months, authorities were moving towards short term (three months or less) investments. The position currently was very fluid due to the level of uncertainty with even well established institutions.

RESOLVED – That the Committee had considered Report RD.12/12 and noted the good performance, in terms of investments, in light of the current economic context as detailed therein.

AUC.44/12 DEVELOPMENT CONTROL COMMITTEE REPORTING

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

Councillors Nedved and Miss Sherriff, having declared an interest, made no comment on the matter.

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.

By way of assistance, copies of two Development Control Committee reports (the first in the old style format and the second in the new shorter format) were attached. Both reports related to applications to extend opening hours at McDonald's restaurant at Kingstown; the issues were very similar, making it easy to see a comparison between the reports. In addition, both reports had been annotated with commentaries in boxes to explain the main changes.

She advised that the Development Control Section had a meeting with consultants Urban Vision in January 2011 to look at ways of improving the format of the reports. All Planning Officers attended and lengthy discussions took place around the most effective way to change the reports.

The Director of Economic Development provided an overview of the format and make up of the old style committee report as opposed to the new format, which had come into force in June 2011. It was considered that the new format was beneficial to Members as they were immediately aware of the suggested recommendation, the main planning issues and could focus on the relevant planning issues upon which the Planning Officer's recommendation was based.

She added that Members had been involved in the formulation of the new style committee report, their comments having helped to shape the final format. The new style report had been well received by Members, the general consensus being that it was easier to read. Positive comments had also been received from customers of the Planning Service.

For the benefit of the new Members, the Chairman provided a brief summary of the background to the Committee's consideration of this item.

Speaking from a personal point of view, the Chairman considered the report to be clear in terms of the changes to the reporting style.

A Member asked what steps were in place to ensure that every Planning Officer used the new committee report format.

In response, the Director of Economic Development explained that the reporting template was utilised via the electronic system and therefore all Officers should be using it.

Following discussion, Members agreed to receive a follow-up report from the Directors of Governance and Economic Development at their September 2012 meeting.

RESOLVED – (1) That the changes to the reporting style of Development Control Committee reports, as detailed in Report ED.26/12, be noted.

(2) That the Audit Committee looked forward to receiving a joint report from the Directors of Governance and Economic Development, providing an update on all actions within the Action Plan (and with specific regard to large planning applications), at their September 2012 meeting.

The meeting adjourned at 11.11 am and reconvened at 11.15 am

AUC.45/12 INTERNAL AUDIT PROGRESS REPORT

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

She informed Members that the Plan called for 540 direct audit days to be delivered in 2012/13. Good progress had been made in the first quarter period; 145 direct audit days (26.9%) had been delivered which was ahead of target for this time of the year.

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

The Audit Manager then outlined the background to the Connect 2 Cycle Scheme which involved the construction of new cycle facilities and enhancement, development and linking up of areas of existing cycle ways in the City. The Scheme was estimated to be worth over £4m and with a completion date of March 2013, and was to have been delivered in six elements / phases totalling 16,145m (10 miles).

Despite the City Council's best efforts to progress the Scheme within the timescales and resources available at that time, Sustrans had, in June 2010, taken the decision to place the Scheme into special measures and later recommended (February 2011) that all funding be withdrawn.

She added that the audit followed a "lessons learnt" approach and sought to provide an independent and objective view of the Connect 2 Cycle Scheme. It concentrated on the key stages of the project and why things had not progressed as planned. It considered the role of all parties involved in delivery of the Scheme; what areas could have been done better; highlighted the lessons learnt and identified improvements made since that time.

The audit raised three key areas which had contributed to the withdrawal of funding from Sustrans, namely the funding arrangements; project management; and risk management, details of which were provided. The key point to note was that project management arrangements had changed significantly since that time. A detailed Action Plan to address those issues as the project moved forward had been agreed and was attached at Appendix K for Members' information.

The Audit Manager indicated that the project was highly ambitious and was awarded in a more prosperous economic climate. As a "lessons learnt" exercise, no assurance rating was formally attached to the outcome of the review; however given the scope of the findings reported by the review, a restricted assurance rating would be appropriate. She added that it was Internal Audit's intention to undertake a formal audit follow up of that area later in 2012, which would be reported back to Members.

A Member stated that the Connect 2 Cycleway Scheme had been considered by Overview and Scrutiny and questioned why the report had not been provided to them. He further referred to difficulties experienced on previous major projects (e.g. the Millennium Scheme) and asked how Members could be assured that risk assessments would be undertaken prior to major projects being undertaken by the Council.

In response, the Director of Governance clarified that ensuring risk management was properly dealt with lay within the remit of the Audit Committee. Currently, a Project Assurance Group was in place to ensure that projects were properly managed, in addition to which risks could be elevated for consideration by the Corporate Risk Management Group if deemed necessary.

The Audit Manager (Carlisle City) indicated that the Director of Local Environment had approached Internal Audit to undertake an objective and independent assessment of what had happened with the Connect 2 scheme. She added that, had the scheme been initiated now, different measures would have been applied (Project Assurance Group). Audit would continue to monitor the position.

The Highways Services Manager was present at the meeting. He summarised the background to the Connect 2 Cycle Scheme, highlighting issues around the availability of funding and resources which had impacted upon the Council's ability to progress the matter within the timescales

The Highways Services Manager said that, with the benefit of hindsight, things could perhaps have been different. Nevertheless Officers had made best efforts to deliver the project with the resources available to them at the time.

Good progress was now being made on elements of the scheme e.g. Crindledyke and the cycleway at Kingstown. The bridge at Currock was now a priority for the County Council, with a completion date of December 2014.

Overall, the Highways Services Manager was of the opinion that good progress was being made based upon very little funding.

The Director of Governance asked whether it was fair to say that the scheme had been approached as an opportunity to gain funding to use in the area, but that the Council had not made sufficient resources available to progress it within the stipulated timescales.

The Highways Services Manager acknowledged that this was the case.

A Member again referred to discussions by Overview and Scrutiny, commenting that the people of Carlisle had suffered as a result of the withdrawal of funding by Sustrans. He asked whether it was correct to say that the Council had been misled by Sustrans.

The Director of Governance advised that Sustrans had acted entirely in accordance with the terms attached to the funding. The City Council had failed to meet targets, albeit for good reasons. The important point to note was that insufficient resources were available at the time.

The Highways Services Manager was in agreement, commenting that Sustrans had been under intense pressure from the Big Lottery to withdraw from those schemes which were not progressing on target.

The Audit Manager (Carlisle City) added that Internal Audit had undertaken a review of the involvement of all parties and scrutinised the Memorandum of Understanding, and found that had been followed by Sustrans.

The Audit Manager (Audit Commission) stressed the importance of being clear in terms of the risks involved in accessing funding, both financial and reputational. He further pointed to the stated intention by Internal Audit to undertake a formal audit follow up of the area later in 2012, and report back to the Committee with further assurances.

Referring to Recommendation 2 (Appendix K) a Member questioned why the Steering Group specified in the Memorandum of Understanding had never been established.

In response, the Highways Services Manager explained that, initially, the County Council was to have taken the lead in setting up the Steering Group; that did not happen and the City Council did not have the resources to do it. Due to the fact that the project was now largely defined he did not believe that it would be particularly beneficial at this time.

Members asked whether the scheme should be included within the Corporate Risk Register; and who would be responsible for ensuring that the completed elements were built to a proper standard and maintenance undertaken going forward.

The Director of Governance replied that in 2007 the Corporate Risk Register did not have the current level of prominence. The Audit Committee had now driven the matter forward and necessary systems and checks were in place.

The Highways Services Manager confirmed that all works undertaken by the City Council were up to the County Council's adoptable standards. Ongoing maintenance was an issue.

A Member sought clarification of the position with regard to the bridge over the River Eden.

In response, the Highways Services Manager said that construction of the bridge was an aspiration, but not in the short term.

The Audit Manager (Carlisle City) then provided a detailed explanation of the content of and ratings attached to the final reports on the audits of Car Parking; Housing and Council Tax Benefits; National Non Domestic Rates; Payroll and Creditors, which had provided reasonable assurance. Copies of the final reports were appended to the report.

A Member referred to the Audit of Car Parking Income – Recommendation 3 which stated that the lack of original permits led the Council to using photocopied permits. She felt that in turn led to public uncertainty on the matter.

The Highways Services Manager commented that permits had not been renewed for more than two years; income from penalty charge notices had fallen, resulting in an operational deficit. Management were close to reaching an agreement under which a subsidy would be provided by the County Council to operate a residents' parking scheme. Discussions were also taking place regarding the procurement of higher quality permits which would last longer, reduce the need to renew and therefore the cost of the scheme. Sufficient stock was in place to meet demand until the completion of negotiations with the County Council.

The Audit Manager (Carlisle City) further outlined in detail the content and ratings attached to the final reports on the risk based audits of Network Controls; Safeguarding – CRB Checks; and Facilities Management (all of which provided reasonable assurance) and Tendering and Contracting which had a restricted assurance. Copies were appended to the report.

Referring to the Audit of Safeguarding, Members asked for an update with regard to Tullie House, questioned whether the Committee should accept a rating of "reasonable" and when the matter would be reported back.

The Audit Manager (Carlisle City) explained that the Council acted as an umbrella organisation for Tullie House in the carrying out of CRB checks. Human Resources were working to provide up-to-date information on procedures. Although the matter would not normally be reported back she was happy to provide a follow-up.

It was agreed that the Committee would receive a follow-up, with specific reference to Tullie House, in six months' time.

Referring to the Audit of Tendering and Contracting Arrangements, a Member noted the suggestion that a Procurement Working Group be established to continue to oversee and manage developments in that area, and to monitor progress made towards the successful implementation of the recommendations summarised in the Action Plan attached as Appendix A, and the Council's Procurement and Commissioning Strategy. She questioned how that would operate.

In response, the Audit Manager (Carlisle City) confirmed that the Group would be separate from the Project Assurance Group.

Referring to Recommendation 5 – Legal and Procurement advice not always sought when arranging / entering into a contract, a Member asked whether the 2012-13 governance training programme would meet the need / address the lack of compliance or whether the matter required further investigation.

The Director of Governance advised that the Financial Services Manager and himself ran the Ethical Governance Training Group. Although training programmes could be put in place and directed to the correct people, it was a matter for those individuals to act upon such training. The provision of training would not therefore necessarily solve the problem. However, if training was received by staff and was not acted upon then it would become a management issue.

Members further questioned whether steps / policies were in place to ensure that key Officers were aware of the obligation placed upon them.

The Financial Services Manager replied that staff were made aware of training, in addition to which Contract Managers attended the Project Assurance Group.

A Member referred to Recommendation 8 – the documentation on the 'Chest' system is in 'word' format. He questioned why it was felt that all tender documentation should be presented in a 'pdf' format as opposed to 'word' when programmes were available to enable people to also alter 'pdf' documents.

The Audit Manager (Carlisle City) explained that the issue was around prevention of unauthorised changes to tender documentation. The recommendation was minor in nature and there were workable solutions to

address the issue. A follow up on the Audit of Tendering and Contracting Arrangements would be provided in six months' time.

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

RESOLVED – (1) That report RD.16/12 be received and progress made towards completion of the 2012/13 Audit Plan, for the first quarter period, be noted.

(2) That the Committee had concerns in relation to the Connect 2 Cycle Scheme, in particular the failure to assess the financial and reputational risks to the Council, and looked forward to receiving a report back from Internal Audit with further assurances.

(3) That the Audit Committee received the completed audit reports attached as Appendices B to K of the report.

(4) That the Director of Resources be requested to provide a follow up on the Audit of Safeguarding – CRB Checks, with specific reference to Tullie House, in six months time.

(5) That, with regard to the Audit of Tendering and Contracting Arrangements, the Committee hoped to see compliance with all procedures and implementation of all recommendations, including the policy on e-tendering. The Committee would receive a follow up report in six months time.

AUC.46/12 AUDIT SERVICES OUTTURN REPORT 2011/12 AND REVIEW OF THE EFFECTIVENESS OF AUDIT SERVICES

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.

The report should be considered in three parts – 2011/12 Outturn; adequacy of Internal Control 2011/12; and Review of Effectiveness of Internal Audit.

The Audit Manager summarised the 2011/12 outturn, informing Members that 591 direct audit days had been delivered against a Plan of 535 days, i.e. 56 days more than originally planned as a result of unplanned work and some audits taking longer than anticipated.

Following discussions with the Director of Resources, it had been agreed that a further 11 audit days should be charged to Carlisle City for elements of additional audit work undertaken in 2011/12. The remaining balance of 45 additional days had been met by the Internal Audit Shared Service.

Details of changes to planned work, completed audits and material audit reviews were also provided.

The Audit Manager drew Members' attention to Section 3 of the report which summarised details in relation to the adequacy of internal control during 2011-12. Based on the breadth and depth of the work undertaken by Internal Audit during 2011/12 and the additional supporting information provided, Internal Audit were of the opinion that the Authority's system of internal control was operating satisfactorily, and that opinion should be reflected in the Annual Governance Statement.

The Audit Manager then outlined details of completed audit reviews and key areas of significance for 2011/12. She also highlighted to Members the need to raise awareness of the corporate fraud reporting arrangements, and provided an explanation of the National Fraud Initiative.

Turning to the review of the effectiveness of Audit Services 2011/12, the Audit Manager stated that the Internal Audit Shared Service complied with the CIPFA Code of Practice for Internal Audit in Local Government and assessed its arrangements on an annual basis. It was therefore appropriate for the Committee to review the 2011/12 assessment, noting the local arrangements in place for Carlisle City (Appendix C).

Although the arrangements for Internal Audit at the City Council were considered to be robust, it was recognised that improvements in the areas of client feedback information would further strengthen the audit arrangements in place. Action was being taken to address the matter in 2012/13. Audit Service's Outturn Report highlighted effective performance. Appropriate action had been taken to address previous recommendations made which were followed up during the course of the year. There were no reported instances where recommendations were found to be un-actioned. Details of improvements to Internal Audit's approach to its work and reporting arrangements during 2011/12 were also provided.

In conclusion, the Audit Manager reported that overall it was considered that the Internal Audit Shared Service had delivered an effective service in 2011/12. Delivery of Internal Audit through the Shared Service arrangement continued to directly benefit the Authority and its position and role had been greatly strengthened, allowing the service to be more resilient as a result.

A Member acknowledged the good progress made on the 2011-12 outturn. She questioned whether there was a training need around awareness of counter fraud arrangements, and how that should be addressed going forward.

The Director of Governance advised that the matter would be picked up by the Ethical Governance Group.

The Financial Services Manager added that she had e-mailed all staff with procedural advice.

With regard to the attempt to defraud the Council by means of a fraudulent request to change the bank account of a key supplier, the Audit Manager (Carlisle City) stated that because of the controls in place on the creditors system the matter had been quickly highlighted and dealt with.

A Member referred to the feedback assessment (attached at Appendix C) and questioned how Officers determined when that should be completed.

In response, the Audit Manager (Carlisle City) advised that a questionnaire was in the course of being drafted and would be submitted to Members at their next meeting.

Another Member asked whether more robust procedures would result in fewer unplanned audits.

The Audit Manager (Carlisle City) explained that was not necessarily the case since issues could arise throughout the year. It was important that the Plan focussed upon planned work, but also contained an element of flexibility.

In conclusion, the Director of Governance informed Members that Cumbria Constabulary had now joined the Audit Shared Service.

RESOLVED – (1) That Report RD.15/12 be received, and the outturn position for 2011/12 and good progress made against the Strategic Audit Plan be noted.

(2) That the opinion provided on the adequacy of Internal Control and the need to raise awareness of the corporate fraud reporting arrangements be noted.

(3) That the Committee noted and agreed the information relating to the adequacy and effectiveness of Audit Services.

(4) That the Committee looked forward to receiving details of the feedback assessment at their next meeting.

[The meeting ended at 12.35 pm]