

<h1>Audit Committee</h1>	Agenda Item: A.6
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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

- 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
<i>Local Environment</i>	<i>Highways</i>	<i>Street Cleaning</i>	<i>0</i>	<i>1.9</i>	<i>Cancelled</i>	
Local Environment	Highways	CCTV	10	15.3	Completed	Reasonable
Local Environment	Waste Services	Recycling	20	29.9	Completed	Restricted
	Waste Services	Bring Sites	10	10.7	Completed	Restricted
<i>Local Environment</i>	<i>Waste Services</i>	<i>Refuse Collection</i>		<i>0.3</i>	<i>Cancelled</i>	
Resources	Corporate	Grants Protocol / Procedures	10	17.8	Completed	Restricted
Resources	Corporate	Transformation	15	0.0	Deferred	

2013-14

Resources	Corporate	Early Retirement & Redundancy	10	16.1	Completed	Reasonable
Resources	Corporate	Systems Administration	10	14.5	Completed	Reasonable
Resources	Corporate	Market Rents	5	7.1	Draft	Reasonable
Resources	Financial Service	Procurement	15	10.7	Ongoing	
Resources	Corporate	Tendering & Contracting	10	-	Ongoing	

Material Reviews:

Community Engagement	Revenues & Benefits	Council Tax	12	13.8	Completed	Substantial
Community Engagement	Revenues & Benefits	Housing and Council Tax Benefits	16	9.7	Draft	
Community Engagement	Revenues & Benefits	National Non Domestic Rates (NNDR)	12	6.7	Draft	
Community Engagement	Community, Housing & Health	Improvement Grants	8	9.3	Completed	Reasonable
Local Environment	Highways	Car Parking Income	10	18.9	Completed	Reasonable
Resources	Financial Services	Asset Management / Fixed Assets	15	6.1	Ongoing	
Resources	Financial Services	Income Management	12	11.0	Draft	
Resources	Financial Services	Main Accounting System	14	1.5	Draft	
Resources	Financial Services	Treasury Management	10	2.9	Completed	Substantial
Resources	Service Support	Creditors	10	7.3	Draft	
Resources	Service Support	Debtors	10	0.7	Draft	
Resources	Service Support	Payroll	12	23.3	Draft	

ICT Reviews:

Service Continuity,	10	15.6	Draft Deferred
Project Management	10	0.0	2013-14
Service Desk, Incident & Problem Management	10	8.3	Draft

Other:

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 " <i>There are outstanding items in the Council Tax suspense account dating back from 2007/08.</i> " 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 " <i>All staff has access to action transfers and access is not restricted or monitored.</i> " 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



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.

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 including 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.

Section 2 – Matters Arising

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 who 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.

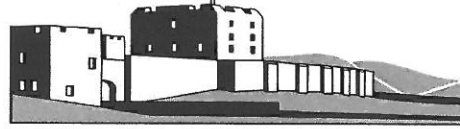
RESOURCES DIRECTORATE

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.

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.

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

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	<p>is being developed at the moment. In the interim there is no point in changing the existing administrative set up.</p> <p>PAD will be accessible to more property staff once implemented. Various staff access levels will be administered.</p> <p>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.</p> <p>Agreed – No further action required.</p>	Shared Service Performance Manager – Revenues & Benefits	Complete
R5	Within FLARE some	Defined roles and responsibilities	B	.A defined structure of Users,	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>	Development Officer	
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 (Idox) 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 Idox.</p> <p>This recommendation is suspected to be treated as a development item which could take some time.</p>	LLPG/Acolaid Technical Officer	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>	Customer Services Manager	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>	Applications & Information Manager	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 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 Coordinator.	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>(b) FLARE database records should be checked and all blank records should be deleted on the FLARE PRU system.</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>30/09/13</p>
<p>(c) The above issues may point to a training requirement.</p>	<p>(c) Training needs to be identified and regular knowledge sharing practices to be put in place. Training budget to be identified and made available where appropriate.</p>	<p>C</p> <p>Systems & Development Officer to implement. Local Environment Service Managers to identify a training budget and inform System & Development Officer.</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
Internments	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.

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 Neighbourhoods & 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 28 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	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 " <i>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.</i> " 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 " <i>Invoices should be raised through the Council's corporate debtor system and the centralised debt</i> "	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

	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.	centralised debt recovery procedures should be applied.			Spaces Manager	
R4	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.	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	Service migration and transfer of office will be completed by June 2013.	Neighbour-hoods & Green Spaces Manager	30 June 2013
R5 74	Internal audit testing of 10 debtors' invoices noted one exception where the debtor's invoice dated 4 th April 2012 recorded the service charges for 2011/12 instead of 2012/13, resulting in the income due being understated by £8.	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 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.	Neighbour-hoods & Green Spaces Manager	30 April 2013
R6	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.	BACAS should be reconciled to the Kalamazoo (or electronic record when recommendation R1 is implemented) to ensure its completeness and accuracy.	B	Service migration and transfer of office will be completed by June 2013.	Neighbour-hoods & Green Spaces Manager	30 June 2013
R7	Internal Audit testing of Cemeteries and Crematorium income and expenditure	As part of the 2013/14 Cemeteries and Crematoriums	B	A continuous review of budgets is on-going involving the service	Neighbour-hoods &	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 (Completed by Internal Audit)
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 stationery 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 84	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

APPENDIX B

				recorded on the Chipside system. For cases that are to stand, the data recorded in the minutes will detail the reasons for the decision but the details entered on the Chipside system will not be as comprehensive as this data may be used as part of the TPT appeal process.		
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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.

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 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>		
R3	<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. This is subject to Section 29 of the agreement.</p>	B	<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>
R4	<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>	B	<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>

APPENDIX A

R5	There is no evidence to confirm CLL's non property insurance arrangements.	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	B	CLL has been informed that it must provide evidence to show that annual insurance arrangements are in place.	Director of Community Engagement.	April 2013.
R6	There is no specific officer delegated with overall responsibility for CLL Contract Management. There is limited client input into service performance. Data Quality arrangements when relying on third party information for contract monitoring and internal decision making purposes require strengthening. Not all of the performance indicators detailed in the contract documentation are monitored.	<u>Monitoring Responsibility/Arrangements.</u> a) A more robust contract monitoring arrangement is required. 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. 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	B	a) See R2 regarding the revised Community Engagement structure. 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.	Director of Community Engagement	May 2013.

		<p>arrangements.</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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APPENDIX A

96	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></p> <p>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></p> <p>See no.1. This will be picked up as part of the other customer satisfaction work.</p>	Policy and Communications Manager.	May 2013.
R7				<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>		

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, cls' 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

	<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.
R9	<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.
R10	<p>Contract governance arrangements need to be improved.</p>					



AUDIT SERVICES

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

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.

**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 weighing 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. <p>Failure to supply the tonnages of material the contractor has sent for processing.</p>	<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>		Contractor is to provide this information - see response below for R6	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. 		B	<p>An initial meeting has 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 recyclate 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

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, Focsa 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	



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 comprised 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 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.

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 quantify 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 Contractors 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.